

# The NATIONAL UNDERWRITER

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## Auto Situation Is Near "Disaster" For Law, Medicine And Insurance

By KENNETH O. FORCE

NEW YORK—There are distressing signs of approaching disaster in the automobile claims field. The problems in it are becoming acutely critical for lawyers, insurers, doctors and others. NACCA members may be committing the first mass suicide of professional men by building up every case, wringing every cent possible from the jury, and using techniques of a Hollywood character.

Prominent insurance company executives have changed their attitude toward a compensation schedule sys-

tem of payment for automobile injuries and deaths—they are no longer strongly opposed to such a scheme.

### Painful Observations

Law, medicine, and insurance must combine against "plain thievery" in automobile claims.

These and other painful observations and comments were made at the annual meeting here of the insurance section of New York State Bar Assn. by representatives of law, medicine and the insurance business.

Superintendent Thomas Thacher indicated the insurance department's

recognition that the problems of rising rates, increasing assigned risks, and other matters in the automobile liability area are serious and becoming more acute. However, he said, he was not satisfied that any change in the rate regulatory laws presently is needed. The department is keeping under view the experiments being conducted by the private insurance business, such as the California merit rating plan; it is expending more effort to encourage the private insuring of risks going into the assigned risk plan, and the state is undertaking additional

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## Conn. General Life Charges New York Misinterprets Law

Says Statute Does Not  
Bar Life Insurer From  
Having Fire Subsidiary

By ROBERT B. MITCHELL

NEW YORK—Prospects for a verbal duel between opposing counsel in Connecticut General Life's suit to reverse the New York department's denial of life companies' right to own fire or casualty insurers faded abruptly when Judge Aaron Steuer in supreme (trial) court here told the litigants that if they wanted an oral argument on the company's motion for summary judgment he would decide on the basis of the oral argument alone.

Since both sides felt the case to be much too important to be settled without the court's perusal of all the pertinent papers, they quickly backed away from the oral argument procedure.

Connecticut General presented a 40-page memorandum in support of its motion. The attorney-general, who represents the department, was given till Feb. 10 to file a reply, after which the company will have two days for its answer. It is quite likely that the case will be decided without the court's hearing any oral argument at all.

The court also has before it a stipulation between the company and the department as to all relevant facts, since no questions of fact are in dispute. The only thing before the court is the interpretation of the law. The company is seeking a declaratory judgment to the effect that the department is misapplying the law and the law is being made unconstitutional by the department's interpretation of it.

The argument portion of Connecticut  
(CONTINUED ON PAGE 25)

## Producers Object To Chink In FIA's Subscription Cover

Producers, who long have advocated the use of a subscription policy on large risks, regard adoption by Factory Insurance Assn. of such a policy as a progressive step. However, agents and brokers are concerned about the fact that the FIA contract, now in use in at least 39 states, makes the individual insurer subscribers on the risk liable "severally" but not jointly.

Producers who work in the large risk area maintain that this conceivably could leave a risk—and a choice one at that—unable to recover for a percentage of a loss. This could happen if one of the companies on the FIA subscription policy went broke before or after a large loss. One observer emphasizes that values being insured today by giant corporations are very substantially higher than they were 10 years ago and even five. This means that an insurer with the same fraction of 1% of the total risk that it assumed in FIA 10 years ago is assuming "vastly" larger dollar liability than it did in 1950.

This possibility that insured could be left holding the bag for part of a loss admittedly is remote. Executives of insurers belonging to FIA point out that members are carefully screened for financial strength. Others explain that FIA itself makes available catastrophe cover to its insurers.

### Bad Competitively

But, producers counter, however remote the possibility, the FIA subscription contract does leave open a chink in the coverage and that this is apt (1) to produce a bad reaction on the part of the buyer, or (2) to put the FIA agent or broker at a disadvantage when he is competing with London Lloyd's, for example, which is a big competitor in this field. The Lloyd's subscription contract makes the underwriters who are subscribers jointly as well as severally liable, producers

(CONTINUED ON PAGE 27)

## Expect Court Fight To Settle Status Of Michigan Surety

LANSING—Date for renewal of what is shaping up as a court battle to return Michigan Surety to operating status and free of a current departmental custodianship is likely to be set sometime this week.

A petition was filed with circuit court here last week seeking dismissal of the custodianship on the basis that new developments have cleared the way for restoring solvency and providing approximately \$1 million surplus for the company. The petition, filed for the management by Clayton F. Jennings, Lansing attorney, suggested Feb. 19 as a hearing date but

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## National Board To Charge For Services

National Board at a January membership meeting approved changes to distribute more equitably the cost of its engineering services.

Among the changes recommended by the special committee on methods and planning, and approved at the meeting were:

1. Establishment of a charge for National Board engineering surveys and services provided for inspection and rating bureaus.
2. Establishment of nominal charges to organizations outside the business for copies of research reports on technical developments.
3. Preparation and adoption of a simplified form of tabulation for classified underwriting experience.
4. Setting up of charges to be made to boards, bureaus and other organizations for analyses, computations and other special services.

The membership unanimously reaffirmed its support of the principles and purposes of National Board and the continuance of its activities and services. Also approved was a recommendation for a semi-annual meeting each year in addition to the annual meeting.

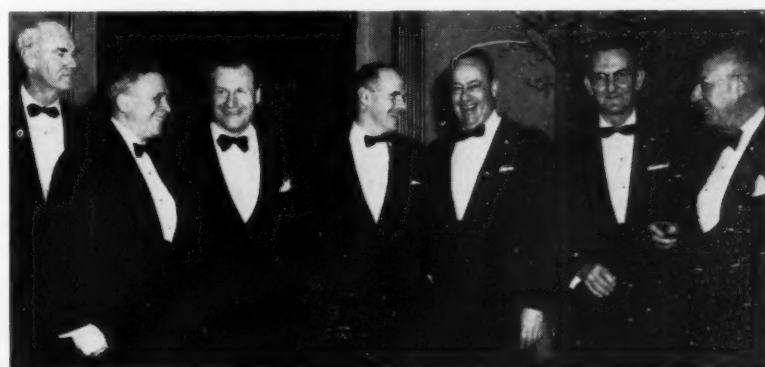
## Continental Cas. Liberalizes Its Air Travel Accident Cover

Continental Casualty has given a vote of confidence to air travel by increasing by 20% the amount of individual coverage it will write without any increase in premium. The effect is to lower the cost of air travel policies by 16.6%.

Roy Tuchbreiter, chairman Continental Casualty, announcing the decision to increase voluntarily liability without a compensating hike in rates, said:

"We have confidence in the safety of air travel, today and in the future. As pioneers in the writing of air travel insurance of all kinds we see no reason to alter our opinion that the record of safety will continue to improve over the years ahead as it has in the past." He recalled that his company in 1952 raised the maximum coverage of a single policy from \$25,000 to \$50,000 and in 1955 effected a 20% rate reduction on policies for

(CONTINUED ON PAGE 27)



ANNIVERSARY DINNER—Photographed at the banquet marking the New York department's centennial at the Waldorf-Astoria are, from left, J. Victor Herd, chairman of America Fore Loyalty; Devereux C. Josephs, director and former chairman of New York Life; Gov. Rockefeller; Superintendent Thacher of New York; Kenneth E. Black, president of Home; Commissioner Hammel of Nevada, president of National Assn. of Insurance Commissioners, and Frederic W. Ecker, chairman of Metropolitan Life.

# Topics For Tomorrow's Headlines: Superselectivity To Supervision

By KENNETH O. FORCE

The temptation to predict is almost irresistible at the beginning of a new year and entirely so at the beginning of a new decade. The difficulty is that the changes through which the business has been struggling in recent times have stimulated so many predictions that practically everything has been predicted except two headed underwriters, four handed clerks, and executives as tall as the Empire State Building, all of which are badly needed now.

Another trouble is that predictions

tend to run too long. Even the amateur predictor quickly realizes that not all he predicts will occur or will happen in the way he predicts. His alternatives are to make no predictions, or to make so many that he can at any future date point with pride to those that were correct. The compulsive predictor inevitably takes the second course. He puts in everything and sprinkles the whole liberally with ifs.

But there are topics that are certain to continue to make news in 1960. A few of them are marketing, underwriting, agency operation, mergers,

combination with life, and supervision. These are among the headline makers of 1960.

—Marketing. Accelerated competition between companies promises to be permanent. Some agency companies that have been marketing to agents are going to market enough to insured to make it essential that agents market to insured.

Exclusive agent companies—and the specialty companies that have been competing with them—have been setting the competitive pace for years. These companies now face the pros-

(CONTINUED ON PAGE 22)

## Anti-Trust Hearings May Resume In March

The Senate committee on rules and administration has reported favorably a resolution to authorize \$425,000 for the Senate anti-trust and monopoly subcommittee in 1960. It has been intimated that hearings on insurance will resume in March.

In a single letter to the rules committee, Sen. Kefauver, chairman of the anti-trust subcommittee, stated that under the direction of Sen. O'Mahoney, his unit will explore regulation of foreign insurers operating under surplus lines laws in the U. S. The inquiry will seek to ascertain whether American policyholders, claimants and creditors of such foreign insurers are being adequately protected, and will attempt to determine whether licensed American insurers are at a competitive disadvantage.

Sen. Kefauver also indicated that further hearings may be held on proposals to strengthen anti-trust laws to prevent financing and insuring of motor vehicles by auto manufacturers.

The senate has extended from Jan. 31 to March 30 the time within which the anti-trust and monopoly subcommittee is to report on its investigations of insurance and other industries. All subcommittee hearings on insurance, since those on aviation published last year, will eventually be issued in three or four volumes, including appendices of reports from insurance commissioners, filed statements and other material.

## Wis. Prof. Aids Subcommittee

MADISON—Prof. Richard M. Heins of the University of Wisconsin commerce school faculty is serving as special legal research consultant to the Senate anti-trust and monopoly subcommittee. He is working in development and analysis of the questionnaire answered by the commissioners to determine the nature and quality of the state insurance regulations and their enforcement, etc.

The program of fact-finding will be completed in the near future, and after this the subcommittee will evaluate the results and make necessary recommendations to the Senate judiciary committee. Prof. William Burdick, also of Wisconsin's commerce school, has been working with Dr. Heins on the project.

Insurance Federation of New York will hold its annual cocktail party in Albany Feb. 16 at the Sheraton-Ten Eyck. Members of the legislature are invited to the affair.

## Government Employees Plans Stock Dividend

Directors of Government Employees are proposing a 50% stock dividend, subject to approval of stockholders of an increase in authorized shares from 1.6 million \$4 par to 2.5 million.

If the increase is approved, the company will issue 680,631 additional shares. The stock dividend will be payable April 30 to holders of record April 8. This would increase outstanding stock from 1,361,262 shares to 2,041,893 shares, and capital from \$5,445,048 to \$8,167,572 by transfer of \$2,722,524 from surplus. The remaining 458,107 shares of additional authorized stock will be unissued and available for future dividends.

## Plaintiffs Win Two Cases In Excess Of Final Demand

Plaintiffs won only four of the 13 decisions in personal injury cases decided in Chicago courts last week. That brings the aggregate since Sept. 1, as compiled by Cook County Verdict Reporter, to 123 decisions for defendants and 102 for plaintiffs.

In six of the cases for the week ending Jan. 29, the verdict exceeded the final demand, in two of the cases by substantial amounts. In one case the jury awarded \$30,000 after the plaintiff had asked a final demand of \$15,000 and was offered either \$5,000 or \$7,500. In another case the final demand was \$3,000 and the jury awarded \$23,750.



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## Osler To Head New Indianapolis Health Insurance Company

INDIANAPOLIS—Robert W. Osler, editor of the Insurance Salesman and vice-president of the Rough Notes Co., has been selected to head a new health insurance company, Underwriters National Assurance, being formed here by a group of prominent life insurance men. Notice of intention to form the company was advertised here Jan. 29.

The company will be a single-line health insurer offering a line of policies particularly suited to programing life and health insurance.

Insurance men among the incorporators, who will also serve as directors, are William Harmelin, Continental Assurance, New York City; W. Harold Petersen, A&S superintendent of agencies of American United Life of Indianapolis; Hastings A. Smith, general agent here for New England Life and a member of the General Agents & Managers Conference of National Assn. of Life Underwriters; Donald A. Baker of Baker Associates, Indianapolis advertising, publicity and sales promotion firm, who was formerly executive director of GAMC; J. Russell Townsend Sr., retired general agent here for Equitable Life of Iowa; J. Erwin Walsh, Connecticut Mutual Life, Muncie, Ind., president of the Indiana Leaders Club; Richard Moser, Northwestern Mutual Life, New Albany, Ind.; Max S. Potts, Penn Mutual, Huntington, Ind. and Bayard Somes, Connecticut Mutual, Evansville.

## Company Officers Named

Officers listed in the advertisement of intention, besides Mr. Osler, are Mr. Petersen, executive vice-president, Mr. Potts, secretary, and Mr. Baker, secretary. Only Messrs. Osler and Petersen will devote full time to the company, which will be located at 1939 North Meridian Street.

Mr. Osler's experience, prior to joining the Rough Notes Co. in 1948, was with Insurance R & R, Central Standard Life and Acacia Mutual Life. In 1956 he received the Elizur Wright award for the book "Modern Life Insurance."

Mr. Osler will continue with the Rough Notes Co. until March 1.

## Classified Risk, New Wis. Insurer, Is Licensed

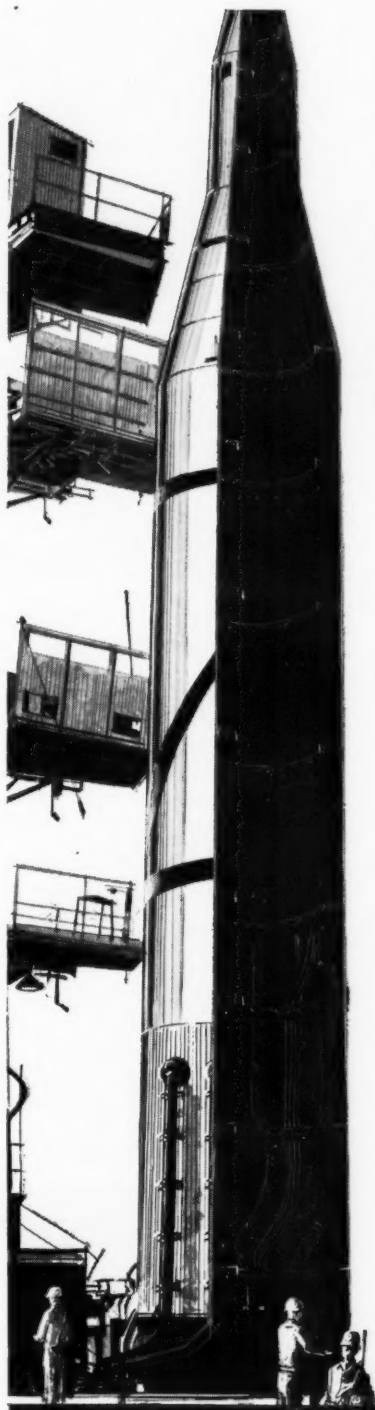
The Wisconsin department has licensed Classified Risk Ins. Co., a multiple line insurer which will concentrate initially in the auto field writing selected professional and occupational groups with superior experience.

The company will write as much as 30% off on educators, executives, federal, state and local government employees, accountants and dentists. It will use a three months policy.

Classified Risk has issued 72,000 shares of an authorized stock issue of 360,000 shares of \$3 par. The original offering price was \$5. It is planned to issue the remainder of the stock over the next three years as premium writings warrant and as the company expands to other states.

New York chapter of Society of Fire Protection Engineers will sponsor a film showing Feb. 8 at America Fort Loyalty's home office. The show, starting at 4:25 p.m., will include a cartoon film on the atom, and one on the origin and synthesis of plastic materials.





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## Ladd Discusses Three C's Of Public Service

By providing an ever-growing population with the three C's of public service—superior Claim service on better Coverage at lower Cost—the agent can secure both his and his bureau companies' future, Merlin J. Ladd, president National Assn. of Insurance Brokers, stated at the annual installation luncheon of Insurance Brokers Exchange of California in San Francisco.

If bureau companies are ever going to compete in the same price range as the direct writing companies they must find some way to improve their selection of business and thus produce a lower loss ratio, Mr. Ladd said. It is inconceivable that companies will be able to successfully compete in the mass market unless their product's cost is more competitive.

Although the loss ratio depends upon the kind of business the company writes—and the company decides what it will write—the first screen for this business and the first responsibility for this selection is the producer's. If this responsibility is not met, the company will eventually be forced into some other system of production, Mr. Ladd said.

### Has Profit Sharing Plan

As there are varying senses of responsibility, so are there varying abilities. Consequently, why should there be a "standard" rate of commission for all brokers, Mr. Ladd asked. An established principle of compensating people is—he who does the best job receives the largest compensation. One way of putting this principle into operation would be to have producers receive a flat commission at a rate somewhat lower than some of the present commission contracts. In return for this lower fixed rate, the producer

## Fla. Exceeds Top Quota For Big I

Florida Assn. of Insurance Agents has exceeded its maximum quota for the NAIAB Big I advertising commitment of \$2 million. In exactly 90 days from the start of the campaign, 846 of 1,067 members contributed \$62,212. The quota on the \$2 million basis was \$62,158.

The state's minimum quota of \$37,090 on the basis of a \$1.1 million program was reached Dec. 1. The \$25,122 additional above basic all will be spent in Florida.

Florida was first to reach its quota in the preceding year. It attained 100% of the 1959 quota. It started its 1960 campaign last Nov. 1 with 33 area meetings at which the Big I promotion film was shown.

would receive an increasing share of the profits which the company derives from his efforts.

Mr. Ladd emphasized that he was not referring to a 10% contingent agreement, but rather to a profit sharing agreement—one with a profit share large enough to give the producer a real incentive to produce that which his company must have—a profit.

Turning to coverages, Mr. Ladd said one of the advantages non-bureau companies have is flexibility. They make and change their policies at will. They are not bound by the thinking, or lack of same, of hundreds of other companies with whom they are associated.

While bureau companies lack this flexibility, they should gain the advantage of combined thinking of many companies and therefore many combinations of experiences and abilities. Unfortunately, Mr. Ladd stated, this is not the case. This combination of experience and ability sometimes gets bogged down to the point where no one is willing to take the responsibility

## Bureaus Offer 10% Off On Compacts

National Bureau, National Automobile Underwriters Assn. and Mutual Insurance Rating Bureau have filed in 43 states and the District of Columbia for a 10% reduction in BI, PDL and PHD rates on small and compact cars, effective March 1.

The discount will apply to such cars in addition to the 25% now granted for second and additional cars owned by a family. The discount will also apply to cars eligible for the 10% driver education rate credit.

Most domestic compact cars and many of foreign make will qualify for the 10% reduction, but sports cars are excluded. No filing has been made in Louisiana, Massachusetts, New Hampshire, New York, North Carolina, Texas and Virginia, but it is expected that approval will be sought later in these states.

bility of saying what was intended when the policy was put together. Bureaus and companies often indulge in "artful dodging" when someone attempts to ascertain what exactly happened when a contract was composed. Companies should admit that the bureaus are the companies.

As for claims, Mr. Ladd said the agent is told that the public would object to a deductible "across the board" on personal lines. And yet that same public is accustomed to a deductible on windstorm and hail. Furthermore, the public is not only accustomed to a deductible on automobile collision coverage, but it also wants the large deductible when told of its availability. Occasionally the public opposes the idea of a deductible because the first time it learns of its existence is when a loss occurs.

It is not only in the area of the small deductible that companies evidence inflexibility and resistance to change, Mr. Ladd said. Traditional, old line fire companies form almost a solid wall against the use of large deductibles for large risks.

### What Do They Want?

The companies' attitude should be one of attempting to find out what kind of product best fits the needs of the public and then giving it that product, the speaker stated.

If the bureau companies do not accept this attitude and meet the needs of the public, other companies will, Mr. Ladd said. Bureau companies have no monopoly. Many companies, by refusing to use large deductibles, are already losing business to more flexible, more far-sighted, more astute competitors.

New ideas are needed, but they do not flow in closed circuits, nor do they flow all in one direction. If the system is to continue to prosper, companies and producers must do those things which they can each do most efficiently, Mr. Ladd concluded.

### Andrews, Wohn Not Connected

In the 1960 edition of the Underwriters Handbook of Ohio, the name of T. M. Andrews is listed as president of Wohn's Insurance Agency at Defiance, Ohio. Raymond G. Wohn is president and sole owner of the agency. Mr. Andrews operates his own agency and is also president of Defiance Insurance Agents Assn., and Mr. Wohn is the secretary and treasurer. Mr. Andrews has no connection with Wohn's Insurance Agency.



More than 1,000 visitors inspected the new 14-story Hartford Building in Dallas, headquarters for the southwestern department of the Hartford Fire group, during a two-day open house last week.

The new building, of traditional New England design, with a white cupola and a weather vane, is headquarters for operations in Texas, Arkansas, New Mexico, Louisiana and Oklahoma. Paul A. Dow is manager, and Lewis E. Grigsby assistant manager.

### Okl. Hearing On Mutual Cover

Commissioner Hunt of Oklahoma has called a hearing Feb. 24 to have the member companies of St. Louis group show cause why they should not be stopped from issuing directions to mortgage loan companies through which they lend money for home financing not to accept policies covering their interest in property issued by mutuals or reciprocals.

### FROM OUR / NOTEBOOKS

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## Sees Hopeful Signs For Future Growing Out Of Unsettled Present Conditions

There has been an almost complete deterioration of practically every function in the business, in the opinion of G. W. Milbrandt of Pelham, president of Mutual Agents Assn. of New York State. In his talk at the midwinter meeting of the Connecticut association at Hartford, he declared that the very processes that provide stability for the business also permit incompetent personnel to survive at many company and bureau management levels.

### Sees New Opportunities

However, in the evolution from the past and present situation, new opportunities for agency success will emerge. The first move in that direction is under way—reappraisal and revision of the company-agency relationship. It is essential that the business decide whether there is a master-servant relation or a true partnership between companies and agents. If it is a partnership, its tenets must be brought into clear focus and agreed to by both parties to the arrangement. This would require a completely revised agency contract that would differentiate between the competent and the incompetent agent. It would provide a new dignity, and would eliminate arrogance and complacency in many quarters. Supplementing this contract, or contained within it, a true profit-sharing or contingent earnings arrangement would also provide to the company-agency system not only profit, but another badly needed item—volume.

This does not require agreement of all companies in order to develop. Any hard-hitting aggressive company could individually adopt the philosophy of this new requirement and enjoy many benefits, Mr. Milbrandt observed.

### Explores Automation

Probably the second significant signpost for success that will show development in 1960 and the decade ahead will revolve around automation, he went on. It is unfortunate that automation entered the picture at a time when commissions were a subject of bitter discussion, when political pressures in many states were disturbing the formula set up to provide stability, and when a new type of operation, involving refinement of classification, was being advanced by independent filers. Probably because of this juxtaposition of multiple factors, confusion exists, and the true implication of automation's value to the business is being obscured. There is further confusion as to whether direct billing is necessary to provide competitive advantages.

Mr. Milbrandt said that automation, from the company standpoint, is without doubt a requirement of the times. Disagreement probably stems from the fact that it has been advanced as a money-saving process to benefit the agent. However, it permits a reduction in commission while, in most cases, saving the agent only pennies. Therefore, while companies may contend that automation is an answer to their competitive disadvantage, agents find that it is usually coupled with direct billing, and appears merely to camouflage a change in company philosophy toward that practice.

No successful agent would object to the elimination of the policy preparation function, if this could be done by machines at an even-exchange of reduction in commission against the cost

of the manual process now employed. Direct billing, on the other hand, can show no related need, when most of the processes advocated today immediately refer back to the agency those accounts having special problems, or those which pose difficult collection. If, as in most instances, the reductions in commission exceed by far the present agency cost of accomplishing the same work, and the companies only wish to perform the easy part of the job, certainly many objections will develop from the agency system.

### Values Seen

Automation, on the other hand, offers exciting opportunities for agents, he declared. Efforts to prove the value of automation and to use it have developed strong interest in the possibility of combining the needs of many agencies under one standard set of forms and systems. Such a combination would enable agents, as a group, to enjoy the full benefit of expensive machine processing. The New York association agency management committee is in the final stages of establishing this type of arrangement. When it begins March 1, it will permit an agent, by submitting simplified addenda to one copy of his invoice, receipts, etc., to have his entire accounting performed by IBM, at a cost of around \$20 to \$30 per month for an agency of around \$74,000 volume.

It is estimated by the New York association that the annual savings in bookkeeping expense as the result of this process will constitute many times the annual dues. As this committee contemplated the problems of detail in

### Mich. Commissioner Tells High Cost Of High Standards

LANSING—Commissioner Blackford, addressing Central Michigan Underwriters Assn. here last week, commented on "racketeers and chislers" in the insurance business and reviewed some of the department actions against violators of the insurance laws. He estimated that the cost of the processes involved in revocation of a single agent's license, if the action is contested, exceeds \$10,000, but he said the expenditure is amply justified in maintaining the high standards of integrity in the business. Failure to maintain these standards produces criticism from the public.

The commissioner said unfavorable comments about insurance and its regulation generally are based on matters beyond control of the department, such as apparently high rates which, if adequately analyzed, are almost always justifiable.

He said the recently inaugurated "safe driver" auto policy has resulted in a heavy barrage of criticism.

the process, the subject of average commissions and its use to dispose of a very complicated phase of accounting in casualty insurance presented itself for consideration. The committee is now developing a proposal to present to companies for adoption.

There is no reason why, pending the acceptance of this process by some company groups, an agency could not institute this method of accounting in its present bookkeeping process. To do this, simply requires that an agency compute on the basis of last year's total writings, plus any adjustments for current commission reductions, expected average earning for the year ahead. When the year is complete, or this may be a shorter period if found desirable, the beginning and ending differences are reconciled, and the earnings adjusted to the total shown on the company accounts current for the same period. On this basis, reconciliation of accounts current is on an item basis for premiums and dividends only, permitting the commissions to wash themselves out on year-end adjustments, Mr. Milbrandt said.

### Young Driver Market

The young driver presents opportunity for the future, he continued. When the 2C rates first reached astronomical figures, it was decided not to make the full charge against this class to avoid the possibility of making the matter a political issue. At the same time, in order to develop the total amount of premium necessary, it was necessary to overlay some of the other classes with some portion of the premium that normally should have come from the young drivers.

This was probably the most expensive mistake the business ever made. The independents, noting the fat in the overlaid premiums, refined their categories and established rate differentials from bureau rates. Since it was known that the young driver classes were short some of the premium necessary, an immediate screening of this class began which deteriorated

(CONTINUED ON PAGE 21)

## Reappraisal Of Major Medical Due At HIA's Group Insurance Forum

A three-day examination of major medical coverage will open Feb. 8 at Health Insurance Assn.'s group insurance forum in the Drake Hotel, Chicago, when A. B. Halverson, 2nd vice-president of Occidental of California, delivers his speech, "Major Medical—a Reappraisal."

Three phases of major medical, theme of this year's forum, will be considered in workshop sessions on underwriting, benefit provisions and cost control, following Mr. Halverson's address.

On Wednesday, a panel of major medical workshop directors will summarize their sessions before the meeting is opened for general discussion and questions. Mr. Halverson will moderate and panel members will include A. S. Beebe, Paul Revere Life; R. R. Shinn, Metropolitan Life, and Irving S. Wolfson, Massachusetts Mutual.

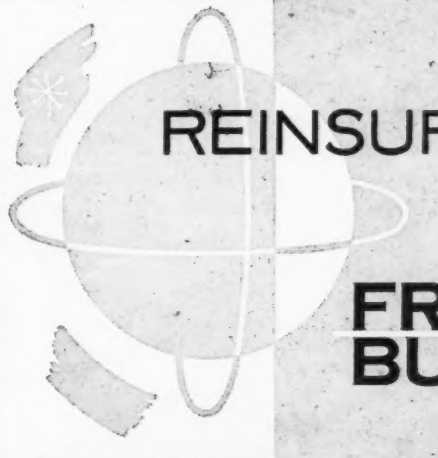
E. J. Faulkner, Woodmen Accident & Life, chairman of Health Insurance Council, will also be a forum speaker. Title of his address is "The Health Insurance Council Acts."

### Casualty Of Cal. Names Welden San Diego SA

Austin C. Welden, claims supervisor for Casualty of California for three years, has been appointed special agent in charge of the San Diego office. He was with a private detective bureau before joining Casualty in 1953 and was also a special investigator for the military during the Korean war.

### Heagney Named Manager

John T. Heagney has been appointed resident manager of Hartford Fire's Oakland branch. He has been special agent there for several years, having joined the company in 1946.



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## Develops Auto Operator's Endorsement

Earl M. Larimer, executive vice-president of Arrow of St. Paul, writes regarding the editorial in the Oct. 30 issue, "Will It Come To Insuring The Driver":

In 1956 the management of this company became aware of the problem of inability to determine the risk assumed in the possible loss or claim particularly with respect to the 2-C driver. This company sought ways and

means of limiting coverage to one operator. An operator's endorsement was drafted and approval obtained. The endorsement (reproduced below) provides that insurance as afforded by the policy applies only to private passenger automobiles driven by named insured or spouse, subject to some exceptions which are shown in the endorsement.

This company experienced some difficulty with agents, brokers and fi-

nally with insured until the intent of the policy, that of insuring the operator, was clearly understood. With this type of policy there is no difficulty in establishing responsibility of loss. Loss ratios can be clearly established by class.

### Eliminates The Bad Actor

It is our considered opinion that the use of this type of policy should be expanded and it should be written for all automobile liability insurance. Our investigation has clearly indicated in many instances that one driver in a

family or in a group frequently makes it impossible for the family to obtain automobile liability protection. By writing an operator's policy the one bad actor is eliminated without penalizing the others. We consider it imperative that automobile liability insurance be written on the individual operating basis even to the point of considering the spouse separately with regard to such contracts.

### Nearly Impossible To Apply

The system of debits and credits referred to in the editorial is practically impossible to apply unless the contract is reduced to a basis of the individual insured.

In addition to the use of the operator's policy for the 2-C driver, this company has a program of personal interviews in force and effect with respect to the 2-C drivers who are within a reasonable distance from the home office. The background of the individual is reviewed. The extent and degree of his education and the period of time that he has been licensed as a driver are reviewed. Violations and accidents are carefully reviewed. If the person has violations or accidents, not only is his responsibility with respect to the law discussed with him but also his moral responsibility. The use of the vehicle as indicated by his statement and application is carefully discussed with him. His responsibility to the company through the contract and the company responsibility to him is carefully explained.

### Is Person Insurable?

We are attempting to determine whether or not this person is insurable; also whether or not he would be a desirable insured not only from the standpoint of operation of a motor vehicle but also from the standpoint of character, appearance and general attitude.

Those drivers who are not within the interview area are written letters pointing out these same responsibilities.

It is very interesting to note the reaction of these individuals and more important the reaction of their parents with respect to this program.

A great many young people are at a loss to determine why they have such difficulty in obtaining liability insurance, particularly when their character, attitude, appearance and driving record would be classed as good or excellent. This system provides an opportunity for the insurer to clear up a great many misunderstandings and to develop an atmosphere of cooperation and determination.

(CONTINUED ON PAGE 29)

## Right from the start you're a key man!



A MAN HAS TO BE  
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Nothing—absolutely nothing—shall mar or damage your first new car. It's a good way to feel, not only about what you own now, but also about other major possessions you'll accumulate in life: home, furnishings, and savings. You'll want to guard them well and protect yourself against their loss right from the start. The best and surest way to do this is through insurance.

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## Oppose AEC Program At Nuclear Hearing

At an Atomic Energy Commission hearing in Washington, representatives of insurer nuclear pools protested the latest AEC proposals in connection with regulation under the Price-Anderson act.

J. Dewey Dorsett, general manager Assn. of Casualty & Surety Companies, was chief spokesman for the pools and introduced as witnesses Hubert Yount, executive vice-president Liberty Mutual; Manning W. Heard, executive vice-president Hartford Accident; Charles J. Haugh, vice-president Travelers, and Guy E. Mann, senior vice-president Aetna Casualty.

Mr. Yount traced the history of insurer efforts to meet the need for atomic reactor coverage. More than 300 companies and foreign reinsurers are in the nuclear syndicates. A specialized loss prevention and inspection service has been set up, he said, and about 100 persons have been trained for that work. They are organized to handle special types of claims. Representatives can be on the scene of an accident within a few hours. Lists of physicians to treat victims of radiation are being compiled.

### Other Accomplishments

Mr. Yount pointed out that under the industry credit rating plan, about 67% of the provisional premiums for smaller risks to 75% of the premium for larger risks, would be placed in a fund to cover losses and loss expenses and return premiums. If there is a balance in the fund in the 11th year, refunds will be made to first year policyholders in the proportion that their provisional premiums bear to the aggregate 10 year provisional premiums.

Mr. Heard described the present position of insurers with regard to nuclear energy liability. He pointed out that the business has conformed to suggestions by Congress and AEC regarding provision of coverage, but that because of administrative moves only a small part of the capacity arranged has been used. Mr. Heard paved the way for Mr. Haugh who confined his remarks to the protection program for AEC licensees.

Mr. Haugh's alternative proposal for the AEC formula to determine amounts of protection for licensees was primarily aimed at providing greater coverage for smaller reactors which can cause catastrophes. He pointed out that the AEC formula bears little relation to the hazards involved. Coverage amounts suggested for licensees are too small, and government funds would be utilized in an area where private insurers are ready to perform. Mr. Haugh noted that some nuclear risks which have not yet been favored with government indemnity have independently purchased average coverage of about \$12 million. Licensees think they should have substantial amounts of coverage.

### Arguments Summarized

Mr. Mann urged that AEC requirements of private coverage should be extended to some commission contractors, notably atomic reactors at Shippingport, Pa.; Piqua, O.; Elk River, Minn., and Hallam, Neb.

Where reactors are government owned, but produce steam for private facilities, and the power thus produced is distributed by the private utility together with what it produces in its own, commercial insurance should be required, he contended.

In a summary statement, Mr. Dorsett observed that AEC in both the licensee and contractor program has shown intent to provide indemnity where insurers could do so. The proposed licensee formula would bar insurers from a substantial market, and the contractor program would exclude them almost completely, even where indemnified operations are almost identical with those conducted under the licensee program. Mr. Dorsett urged reconsideration of existing and contemplated AEC policies which thwart private enterprise.

## Selected Risks Volume, Underwriting Profit Up

Select d Risks of Branchville, N.J., had an underwriting profit before taxes of \$157,003 in 1959 compared with a profit of \$255,206 in 1958. Premiums written were up \$1,386,684 to \$12,543,340. Policyholders surplus was \$4,654,006, a gain of \$302,130. This does not include a special reserve item of \$311,286 for statutory liability requirements.

Loss ratio to premiums earned was 62.8 and expense ratio to premiums

written was 34.2, compared with 60.6 and 35.4 in 1958. Investment income rose from \$314,850 to \$365,173.

In 1959, capital was increased from \$1 million to \$1.2 million by the payment of an 11½% stock dividend and the sale of 8,500 additional shares at \$35 a share.

## Conn. Gets Auto Plans

Connecticut has approved the champion policy of North America, the easy auto plan of St. Paul Mercury, and the merit rating plan of Nationwide General.

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## F. & D. Names Bollinger, Barnett And Shafer

Fidelity & Deposit has appointed William D. Bollinger manager, and Ralph O. Barnett assistant manager of its claim department. Lester D. Shafer was named assistant manager of the salvage department.

Mr. Bollinger joined the company in 1929 and has served at Chicago, Buffalo, Philadelphia and the home office where he was promoted to assistant manager of the claim department last year. Mr. Barnett, who joined the

company in 1922, was formerly assistant manager of the salvage department. Mr. Shafer has handled claim and salvage matters of the company for more than 30 years.

### Texas Agents Change Plans

AUSTIN—Several changes in the convention format for the 62nd annual meeting of Texas Assn. of Insurance Agents have been made. The new plan calls for three general sessions, to be held May 19-21 in the Stephen F. Austin Hotel, Austin, plus an executive session for members only and a

pre-convention conference of local association officers. H. T. Hibler, member of the host Austin association, has been appointed general convention chairman.

### Halligan Opens Own Office

J. H. Halligan, formerly manager of General Adjustment Bureau at Wilmington, Del., and a 30 year veteran of the adjusting field, has opened his own adjusting office, Halligan Adjustment Service, at 1115 North Bancroft Parkway, Wilmington, and will handle all lines for the companies.

## Eyes Sales Dearth In Business Interruption

Only about five cents of the fire premium dollar is spent for business interruption insurance by the New York City business community, Alfred I. Jaffe, New York agent, declared in a talk at the January meeting of Greater New York Insurance Brokers Assn.

It is estimated that if all time element coverages were purchased to the same extent as fire insurance on property, the time element share of total premiums would range between 25% and 30%, Mr. Jaffe said. Thus it appears that business interruption sales must be increased about six times to match property coverage sales.

Mr. Jaffe noted that an important deterrent in selling business interruption has been the confusion caused by diverse forms which the small business man could not understand. These have now been reduced in quantity, and those remaining are considerably simplified.

### Sales Made More Easily

In presenting the case for business interruption to the small business man, the broker will have easier sailing with the simplified forms, even though a more perfect, detailed policy and work sheet might be more accurately tailored to the needs of the client. The extra involved details, however, were obstacles, and Mr. Jaffe believes that even a slightly imperfect, simple approach that results in reasonably adequate protection is far better than a perfect presentation which does not lead to purchase of any coverage.

Mr. Jaffe said that he considers business interruption a "life and death coverage." The broker must have the same outlook if he is to sell it successfully. He must stress how necessary it is to insure the client's fundamental reason for being in business—income and profits. Without business interruption, the business man will be even worse off than an unemployed worker in event of a loss. The business man will not be able to collect unemployment insurance, and he will have to carry the fixed expenses of the business whether or not it is operative.

### New Buntin Adjusting Office

Wiley Buntin, independent adjuster at Starkville, Miss., has opened a new branch office at 309½ Main Street, Tupelo, with R. J. Maddox in charge. The office will service western Alabama, as well as northeast and north central Mississippi. The Buntin organization has another branch in Columbus, Miss.

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## Clarence Axman To Receive Citation

NEW YORK—Clarence Axman, editor of the Eastern Underwriter, will be the guest of honor at the inaugural life insurance dinner in behalf of the joint defense appeal of the American Jewish Committee and the Anti-Defamation League of B'nai B'rith Feb. 9 at the Sheraton-Atlantic Hotel, New York City.

Mr. Axman will receive the joint defense appeal's citation for his "dedicated devotion to the ideals of equality and human rights."

The appeal is the sole fund-raising arm of the American Jewish Committee and the Anti-Defamation League of B'nai B'rith. The two agencies seek a total of \$6.1 million this year for the support of their programs dedicated to combating bigotry and discrimination, safeguarding human rights and promoting inter-faith harmony.

G. Gustav Steiner, Aetna Life, New York City, chairman of the drive, said that "we are delighted with this opportunity to publicly express our gratitude for the many ways in which Clarence Axman serves our industry. His dedicated leadership in the furtherance of equality and human dignity has set a standard of purpose and action that serves as an inspiration to all of us."

## Public Representatives To Dominate Md. Blue Board

Commissioner Sears of Maryland has approved amendments to the by-laws of Maryland Blue Cross which provide that a majority of its trustees be representatives of the general public.

According to the department, the Maryland plan is believed to be the first Blue Cross to permit domination of its board by subscribers. The new board will consist of 16 members representative of hospitals and medical organizations and 17 subscriber representatives.

The commissioner expressed his belief that a majority of the board should consist of laymen at a legislative hearing last September and the department believes that the by-law change was a direct result of his testimony.

## Hardware Mutuals To Install IBM 7070

Hardware Mutuals of Stevens Point will install next fall what they describe as probably the most advanced and flexible electronic data processing system planned for any insurance company in the country. This will complete the major portion of an intensive program to streamline and automate the companies' accounting and other paperwork.

Heart of the system will be an IBM 7070, a high-speed, general purpose, fully transistorized electronic data processing machine, made up of 29 separate but interconnected modular data storing or processing units. The system will be housed in a \$370,000, 26,000 square foot data processing center building to be completed in June.

## Seek To Put State Fund Out Of Business In N. Y.

New York bills have been introduced to liquidate State Fund, which wrote \$53 million of workmen's compensation in the state in 1959, or 26% of the total, and \$3.5 million in com-

pulsory non-occupational disability. The two measures, one in the assembly and an identical one in the senate, would stop the fund from writing new business as of next Jan. 1. To provide WC coverage for employers unable to get it in the private market, which was the reason for establishing the fund in 1914, the bills would empower the insurance superintendent to set up an assigned risk plan for WC risks.

Producers in the state long have contended that the statute under which the fund operates does not empower it to solicit business though it has long done so in competition with private insurers.

## New AFIA Branch In Japan

American Foreign Insurance Assn. has opened an office at Shizuoka in central Honshu as the 12th branch in Japan. Ichiro Ohtsu is the manager of the office which is under the supervision of the Tokyo control office.

Washington General has elected Charles J. Svercel a director. He is a vice-president of the Bank of New York.

## C. E. Mather II Heads Five Organizations

Charles E. Mather II has been named president of Mather & Co., Philadelphia agency. John W. Kelley has been advanced to executive vice-president. Mr. Mather was also named president of Mather Ltd., New York, and of three Philadelphia insurers: American Shipbuilders & Shipowners; Quaker City, and Transportation Mutual. The late Gilbert Mather was formerly president of all these organizations.

American Shipbuilders & Shipowners elected Cyrus L. Blackfan, first vice-president and secretary; Mr. Kelley second vice-president, B. F. Clayberger Jr. treasurer, and Elmer A. Martin assistant secretary. Transportation Mutual named Mr. Blackfan vice-president and Mr. Martin acting secretary.

Michael Loening has become associated with Everett, Johnson & Breckinridge, New York law firm. A graduate of Harvard law school, Mr. Loening is the son of a prominent Bremen, Germany, lawyer.

## Mercer Executive V-P Of Preferred Risk Mutual

Preferred Risk Mutual has advanced Bernard Mercer to executive vice-president. He was vice-president and general manager.

Promoted to vice-president are Fred Hagen and Donald Paulsen. Mr. Hagen was assistant general manager, and Mr. Paulsen was assistant regional manager at Colorado Springs.

## Thefts From Salesmen's Cars, Trucks At Peak

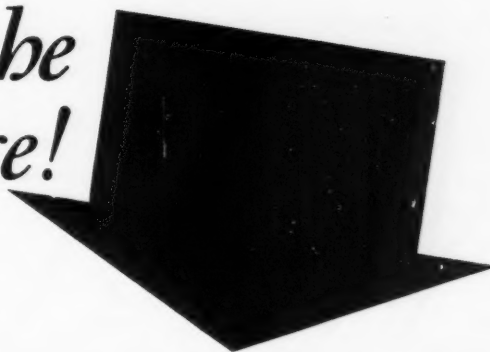
The January issue of Babaco News reports that thefts of goods from salesmen's cars are rising with consequent impact on the loss ratios of block and package policies.

The house organ of Babaco Alarm Systems also reports that a new record for truck cargo theft losses was set in 1959. A new list of previously unreported cargo thefts included \$80,000 in cosmetics and \$328,000 in drugs in New Jersey; \$40,000 in liquor in Chicago; \$50,000 in steel in Indiana; \$75,000 in jewelry in California, and \$20,000 in paintings in Rhode Island.

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## Conventions

- Feb. 4-5, Conference of Mutual Casualty Companies, fire meeting, Conrad Hilton Hotel, Chicago.
- Feb. 11-13, Assn. of Independent Insurance Adjusters of Texas, annual, Commodore Perry Hotel, Austin.
- Feb. 15, Insurance Economics Society, executive committee, Drake Hotel, Chicago.
- Feb. 17-19, Michigan agents, midyear, Sheraton Cadillac Hotel, Detroit.
- Feb. 18-20, Texas mutual agents, midyear, Commodore Perry Hotel, Austin.
- Feb. 22, West Virginia I-Day, Daniel Boone Hotel, Charleston.
- Feb. 22-24, National Assn. of Surety Bond Producers, annual, Boca Raton Hotel, Boca Raton, Fla.
- March 3-4, Washington agents, midyear, Marcus Whitman Hotel, Walla Walla.
- March 8, Pittsburgh I-Day, Hilton Hotel, Pittsburgh.
- March 10-11, Conference of Mutual Casualty Companies, underwriting meeting, Conrad Hilton Hotel, Chicago.
- March 10-12, Tri-State mutual agents of Pennsylvania, Maryland and Delaware, annual, Pittsburgh Hilton Hotel, Pittsburgh.
- March 15, New Jersey agents, midyear, Stacy Trent Hotel, Trenton.
- March 17-18, Ohio mutual agents, annual, Manager Hotel, Cleveland.
- March 21, Rhode Island agents, midyear, Sheraton Biltmore Hotel, Providence.
- March 27-29, National Assn. of Insurance Agents, Southern territorial conference, Arlington Hotel, Hot Springs, Ark.
- March 28-30, National Assn. of Mutual Insurance Agents, midyear, Flamingo Hotel, Las Vegas.
- March 30-31, Pacific Insurance & Surety Conference, annual, Riviera Hotel, Palm Springs.
- April 1, Ohio Assn. of Independent Adjusters, midyear, Deshler-Hilton Hotel, Columbus.
- April 1, Pacific Coast Advisory Assn., annual, Riviera Hotel, Palm Springs.
- April 1, Eastern Agents Conference of NAIA, Sheraton Plaza Hotel, Boston.
- April 6, New Hampshire agents, midyear, Manchester Country Club, Manchester.
- April 7-8, National Assn. of Casualty & Surety Agents, midyear, St. Anthony Hotel, San Antonio.
- April 7-9, Assn. of Insurance Attorneys, annual, Park Plaza Hotel, St. Louis.
- April 10-12, Mississippi mutual agents, annual, Buena Vista Hotel, Biloxi.
- April 23-27, National Assn. of Insurance Agents—National Board of State Directors, midyear, and Midwest territorial conference, Netherland Hilton Hotel, Cincinnati.
- April 24-26, Florida mutual agents, annual, Fort Harrison Hotel, Clearwater.
- April 27, Insurance Brokers' Assn. of State of New York, annual luncheon, Pierre Hotel, New York City.
- April 28-29, Southern Claims Conference, annual, Statler Hilton Hotel, Dallas.
- May 1-3, Iowa agents, annual, Blackhawk Hotel, Davenport.
- May 2-3, Minnesota mutual agents, midyear, Pick-Nicollet Hotel, Minneapolis.
- May 5-6, Conference of Mutual Casualty Companies, claims meeting, Conrad Hilton Hotel, Chicago.
- May 8-10, Alabama agents, annual, Stafford Hotel, Tuscaloosa.
- May 8-10, Pennsylvania agents, annual, Hotel Hershey, Hershey.
- May 9, National Assn. of Mutual Casualty Companies, annual, Edgewater Beach Hotel, Chicago.
- May 9-11, American Mutual Insurance Alliance, annual, Edgewater Beach Hotel, Chicago.
- May 9-11, National Assn. of Independent Insurance Adjusters, annual, Broadmoor Hotel, Colorado Springs.
- May 9-12, National Assn. of Insurance Brokers, annual, Ambassador Hotel, Chicago.
- May 10, Assn. of Casualty & Surety Companies, annual, New York.
- May 10-12, National Assn. of Insurance Commissioners, Zone V spring meeting, Biltmore Hotel, Oklahoma City.
- May 12, National Independent Statistical Service, annual, La Salle Hotel, Chicago.
- May 13-14, Mountain States mutual agents, annual, Antlers Hotel, Colorado Springs.
- May 13-14, Oklahoma agents, annual, Mayo Hotel, Kiamesha Lake.
- May 15-17, Virginia & District of Columbia mutual agents, annual, Shoreham Hotel, Washington, D. C.
- May 15-18, New York agents, annual, Concord Hotel, Tulsa.
- May 15-18, North Carolina agents, annual, Carolina Hotel, Pinehurst.
- May 16, Vermont agents, spring meeting, Woodstock Inn Woodstock.
- May 16-18, Health Insurance Assn., annual, Statler Hilton Hotel, Dallas.
- May 16-18, Insurance Accounting & Statistical Assn., annual, Sherman Hotel, Chicago.
- May 17-18, Illinois Bureau of Casualty Insurers, annual, St. Nicholas Hotel, Springfield.
- May 19-20, Central Claim Executives Assn., spring meeting, Lake Lawn Lodge, Delavan, Wis.

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## Better The Student The More He Loses When He Takes Up Driving

When a high school student begins to drive, his study time is reduced and his school grades suffer. And, the brighter the student, the more sharp his drop in academic standing.

These facts are emphasized in a report of a survey conducted by school authorities and Allstate at Niles Township High School, Skokie, Ill. Titled "The High School Student and the Automobile," the booklet details the result of a survey of 1,455 junior and senior students, their driving habits, and their scholastic records.

The grades of all students suffer to some extent when they are allowed to drive, the survey showed, but the ones hardest hit were those who previously had been in the top quarter of their classes. When bright students become car owners, 87% of them drop sharply in scholastic standing. The same thing happens when they are allowed extensive use of the family car.

### Trained Have Fewer Accidents

The survey showed that high school trained students have less than half the accidents of untrained students and received less than a third the number of traffic violation tickets.

The survey reports a wide degree of parental indulgence in allowing teenagers to use the family car for social purposes. While many parents allowed their youngsters to use the car only one or two nights a week, some parents granted high school students permission to use the car for social purposes five, six, even seven nights a week. Naturally, students using the car several nights a week had less time for study and their scholastic standings were impaired. Of those students who were allowed to use a car for social purposes seven nights a week, 61% were in the bottom quarter of their classes scholastically.

It was found that when they began to drive, many students found it necessary to secure part time jobs in order to support their driving activities. Thus, the loss of study time due to driving was augmented by additional loss of study time because of jobs.

However, when part time work was concentrated on weekends, it had little effect on grades. But part time work done during the week had a definitely injurious effect upon scholastic standings.

More than 72% of the student body had learned to drive, according to the survey, but only 19% had learned in the high school driver education

## Beneficial Standard To Donate Half Of Cancer Policy's Premium

Beneficial Standard Life has a \$5,000 cancer expense policy and the company is donating one-half of all premium income, after payments for medical care and expense, to officially approved cancer research.

The policy, to be made available through agents and brokers, insures without limitations or deductibles full payments to the amount of \$5,000 for treatment of any form of cancer diagnosed in terms recognized by the American Medical Assn.

Semi-annual rates on the new policy are \$8 for individuals through age 39, and \$13 from age 40 to 58; on the family plan, \$25.50 for all ages through 58.

## Pa. Permits Filing Of Plate Glass Deductibles

Pennsylvania has rescinded a 20 year regulation prohibiting plate glass policies with accumulative deductible endorsements. The action was taken upon application for the form by several insurers.

Changes in economic conditions and loss patterns in the past 20 years prompted the Pennsylvania department to approve submission of experimental forms, with the proviso that separate premium and loss statistics shall be maintained by authorized agencies.

## Says Underwriters Need Good Mental Attitude, Too

A positive mental attitude was advocated by Jack Olson, director of agencies of Combined of Chicago, at the January meeting of Illinois A&S Underwriters Forum. This philosophy must be adopted by not only agents but underwriters as well if they want to excel, he said.

Mr. Olson urged his listeners to believe in the axiom of hard work that the quantity of effort plus the quality of effort plus mental attitude are equal to the compensation.

classes. While many girls were numbered among the student drivers, few of them drove extensively enough to make any difference in the survey results. Consequently, the conclusions apply mainly to high school boys.

The booklet is published by Allstate as part of a countrywide survey of high school driving being conducted in 35 high schools throughout the United States. More than 25,000 students are taking part in this project, which will be completed in April.

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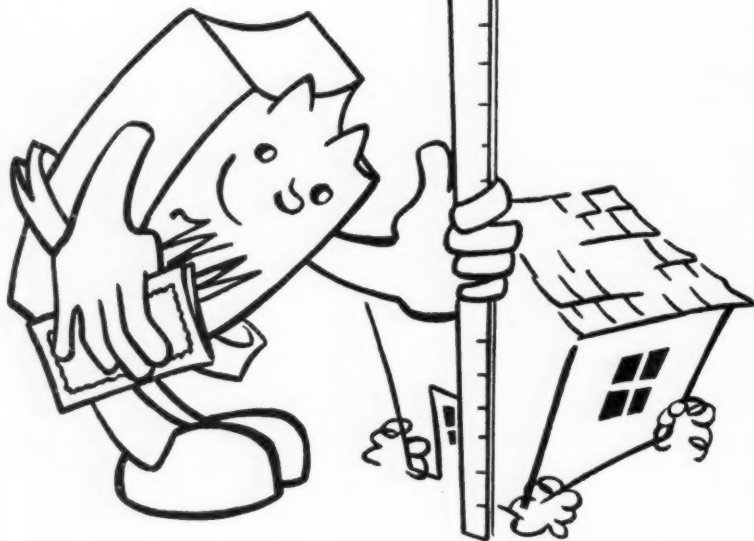
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## Underwriting Profit, Volume Gain For AFIA

For the fiscal year ending June 30, 1959, American Foreign Insurance Assn. wrote premiums of \$55,055,194 an increase of 7.7% over the previous year. Underwriting profit was \$2,007,197. A profit of \$1,387,941 remained after deduction of exchange losses, taxes and other expenses, and additions of income from real estate and interest.

Fire premiums increased 3.6% to \$14,886,149. In his annual report, James O. Nichols, president, noted that in fire lines non-tariff competition, rate reductions and compulsory reinsurance pools have adversely affected operations in some markets.

Marine writings were up by 4.8% to \$8,314,987—representing about 70% cargo and 30% hull business. Volume increase was due primarily to growth of London operations. French underwriting arrangements were reorganized, and from Jan. 1, 1960 have been on a pool basis.

### Other Results

Casualty premiums for fiscal 1959 were \$18,308,006, up 3.3%. Auto business continued to be a serious problem. Casualty operations are being revamped to improve service and institute controls necessary for profitable operation.

AFIA has established a separate department to develop and underwrite bonds. The new unit will concentrate on performance bonds for American contractors.

AFIA's treaty reinsurance department had written premiums of \$9,132,000 in fiscal 1959. Fire and casualty results were profitable, with marine showing a loss. The brokerage department and service offices showed premiums of \$8,317,000, a gain of 39%. An additional \$1,835,000 for U.S. broker accounts was directed to and written by foreign branches. Mr. Nichols reported increased competition in the brokerage area from domestic and foreign insurers and from London Lloyd's.

## Hawes Heads Providence Casualty Assn. Officers

Casualty Underwriters Assn. of Providence has elected Edward S. Hawes, Providence Washington, president. Alvin C. Adams, Employers Liability, was elected vice-president; William T. Avison, Boston, secretary; and Robert Thornton, Home, treasurer.

## Standard Accident Names Cory

Standard Accident has appointed Ralph E. Cory assistant manager of the company's eastern division bond claim department.

Preferred of Grand Rapids has been admitted to Louisiana, Massachusetts and New Hampshire and now is licensed in 40 states.

## Nationwide Expanding Into 10 More States

Nationwide Mutual will expand its operations to 10 additional states and possibly 11 within the next nine months. The company currently operates in 18 states and the District of Columbia.

Robert W. Heffner, with the company 23 years, has been appointed vice-president in charge of the expansion program. Assisting him will be William H. Nichols, who becomes director of expansion planning.

First state on the expansion schedule is Tennessee where district and regional offices have been staffed at Nashville, Chattanooga, Memphis and Knoxville. Business has already begun there. Other states to be added are Maine, New Hampshire, Washington, Idaho, Georgia, Missouri, Illinois, Alabama and Mississippi.

Coincident with the expansion, Nationwide plans to appoint 66 new district managers within the year. The agency force, which now numbers 2,500, will be increased by 700.

## S.M.U. Institute Now Has Loan Fund

S.M.U. Institute now has available a loan fund for those agents short in funds but long in desire to take courses.

The loans will be sufficient to cover tuition, books, and room and board for each of the two four-week sessions—basic and senior classes.

Loan applications will be processed by the trustees of the A. R. Jaqua memorial fund, from which the money is to be made available. The loans will be made at simple interest and the recipient will have ten months in which to make repayment.

Applications should be sent to Institute of Insurance Marketing, Southern Methodist University, Box 179, Dallas.

## Mutual Bureau Burglary Rates Up In N. Y., Va.

Mutual Insurance Rating Bureau has increased burglary rates 5.6% in New York and 6% in Virginia. Coverages affected in both states include mercantile open stock, money and securities broad form coverage A, storekeepers burglary and robbery; and mercantile safe in Virginia only.

John J. Taflinger has set up Wabash Valley Claims Service at Paris, Ill., handling all types of losses for the companies. He covers Edgar, Clark, Crawford, Lawrence, Coles, Vermillion and Cumberland counties in Illinois and Vermillion, Vigo and Sullivan counties in Indiana. Mr. Taflinger has been a claims man for 13 years, most recently an agency supervisor and claims adjuster of State Auto of Indiana.

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## Seeks To Have The Mich. Department Made A Division

LANSING—Commissioner Blackford of Michigan will offer a reorganization recommendation to Gov. Williams which would combine the insurance department with two others in a new department of financial institutions.

The idea of giving the department mere divisional status long has been opposed by the industry. Such proposals have been offered several times in the past and have been successfully combatted by company and agent organizations.

Mr. Blackford, appointed once on an interim basis to fill out the unexpired term of Joseph A. Navarre and since named for a full term, has never been confirmed by the state senate, some of whose majority Republican members have openly grumbled at Mr. Blackford's activities as a lobbyist for the Democratic state administration's projects.

### Reveals Recommendation

Mr. Blackford revealed his intended recommendation to a citizens' advisory group. He has been serving as the governor's research director on reorganization proposals under an existing statute which permits reorganizations within the state governmental structure by executive order subject to veto by the legislature. Whether the proposed merger would be effected in that way or by specific legislation was not clearly defined but presumably the existing reorganization statute would be used.

The commissioner, who did not comment on the possible effect of the proposal in abolishing his own job, said he felt the consolidation would "save some money." He said the new department should consist, in addition to the insurance department, of the banking department and the corporation and securities commission. That is the same pattern as has been suggested in the past.

The Blackford proposal also contains a suggestion that other existing agencies handling somewhat similar functions might well be moved into the new super department. He mentioned the municipal finance commission and supervision of savings and loan associations, now under the secretary of state. He admitted the merger plan is opposed by the present banking commissioner.

## Hearings In Wis. On Surplus Lines And Non-Admitted Rules

The Wisconsin department will hold a hearing Feb. 11 on rules for unauthorized insurance and surplus lines insurance.

The rule proposed by Commissioner Manson for unauthorized insurance would put in writing the department interpretations of existing statutes prohibiting the transaction of insurance by unlicensed companies. The rule would provide a basis for effective enforcement and would provide that no person shall directly or indirectly act as an agent or otherwise represent or aid an unauthorized company. The 3% premium tax must be paid by the policyholder if not by the company, and anyone acting as advisor or counsellor must report to the department every policy or contract with an unauthorized company.

The proposed administrative rule

for surplus lines provides for licensing of resident agents who place surplus lines insurance and requires them to place business in companies they know to be sound. The rule would require that every agent file a copy of every surplus line policy or evidence of insurance he issues, and certain essential information is required to be shown on the insurance contract. The agent also is responsible for remitting the 3% unauthorized insurance premium tax. Licensed surplus lines agent could advertise their facilities.

## Traffic Deaths Total 37,800 In '59

Traffic deaths increased by 800 in 1959 as travel reached an all-time high, the National Safety Council reported. The 1959 toll was 37,800 deaths and 1,400,000 disabling injuries. The 1958 toll was 37,000 deaths and 1,350,000 disabling injuries.

Cost of traffic accidents in 1959 was estimated by the council at \$5.8 billion. Property damage alone was \$2 billion.

However, despite the increased toll in 1959, traffic deaths were 900 below 1957 and almost 2,000 fewer than in 1956. The 2% rise in traffic deaths in 1959 was less than half of the 5% increase in motor vehicle mileage. The toll and travel figures produced a mileage death rate in 1959 of 5.4—lowest in the nation's history. The 1958 rate was 5.6.

## Combs Turns Down Auto Rate Boost Of 5% In Arkansas

LITTLE ROCK—Commissioner Combs has rejected a filing by National Bureau to increase auto BI and PDL rates 5.3% on private passenger cars, 14.2% on commercial classes, and 12% on garages.

Mr. Combs said: "In April, 1957, I approved an increase of 14% on liability insurance rates for private passenger cars, and on Dec. 10, 1958, I approved an over-all increase of approximately 23.5% on property and liability insurance rates on private passenger cars. I feel that the increase granted in 1957 and 1958, amounting to approximately 37%, was a very substantial increase, and possibly by the end of the year when these increases have had time to become effective, there will be no need for further increases."

He pointed out that members and subscribers of National Bureau write only about 31% of the premium volume of automobile liability insurance in Arkansas. "The independent filers, including both stock and mutual companies, representing 69% of the premium volume, are writing this class of insurance on an average of 15% less than bureau rates, and they are not asking for an increase," he said.

## Okla. Supreme Court OKs Mutual Insurance

Oklahoma Supreme Court has upheld a district court decision allowing the city of Tulsa to place its insurance in a mutual.

The supreme court decision affirmed the holding of the district court that a city does not become owner of a foreign corporation by purchasing mutual insurance.

A newspaper report of the decision said it is expected to have far reaching effects in that "state agencies, school boards and others will be able to purchase less-expensive mutual coverage if they so desire."

## Raymond L. Ellis, Fund V-P, Retires After 25 Years

Raymond L. Ellis, vice-president in charge of automobile, casualty and disability operations, has retired from Fireman's Fund after 25 years.



Raymond L. Ellis

He entered the business at San Francisco in 1910. A boxer during his spare time, he reported for work one morning with a black eye, whereupon his boss told him he'd have to choose between boxing and insurance. Rubbing his bruised eye, Mr. Ellis replied: "After last night, I've already made up my mind. I want to be an insurance man."

After serving in the field for North America, he became a partner in the Rolph, Landis & Ellis general agency

of San Francisco. In 1936, he joined Fireman's Fund as assistant secretary, and the following year became assistant vice-president.

Mr. Ellis became vice-president of the fire companies in 1942, and later took over management of the automobile and casualty lines. He initiated the Fund's reinsurance operations in 1947, and directed that activity for several years.

He has been president of Pacific Board, California Assn. of Insurance General Agents; Fire Underwriters Assn. of the Pacific; Western Insurance Information Service, and Pacific Surety Conference.

## Raise Kan. Burglary Rates 17.9%

Mutual Insurance Rating Bureau has increased burglary rates 17.9% in Kansas. The coverages affected are mercantile open stock, mercantile safe, money and securities broad form coverage A, and storekeepers burglary and robbery.

Automobile General Adjusters Assn. of California will hold its annual golf outing Feb. 12-13 at Sonoma Mission Inn, Boyes Springs, Cal.

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## Editorial Comment

### Thank Goodness For A Little Simplicity

The Ohio department gets out a monthly news letter which is interesting, informative, and often stimulating. A recent issue of the letter contained several references to filings that had been made during the month. These are summarized below. The adjectives that appear in quotes constitute an almost plaintive, if indirect, commentary on the current turmoil of changes in the fire and casualty business:

XYZ Mutual renewed 10% "simple" price-cut deviation.

ABC Ins. Co. revised deviation plan to "just" 10% "simple" price-cut. Whoosis Ins. Co. completely revised "complex" deviation plan.

Ajax established 10% "simple" price-cut deviation.

Blank Mutual established deviation of 50% "simple" price-cut for attaching extended theft endorsement.

Well-Regarded Ins. Co. revised deviation plan to "just" the adding of coverage B amount to coverage A amount when no outbuildings are present on the premises.—K.O.F.

### Insurance And The Humanities

As the subject of an address, "The Writer and the Reader in the Modern World," is not, of course, standard fare for an insurance company to offer its executive staff. And subtitled a discussion of modern attitudes toward life as revealed in contemporary plays, novels and other writings, the talk could leave little doubt in anyone's mind as to the content.

And yet, such a lecture was delivered by John Mason Brown, author and drama critic of the New York Post and the New York World Telegram, before staff members of Connecticut General Life just recently in the company's auditorium.

There isn't much doubt that among those invited were some who wondered what exactly they were doing there. There were surely more than a few puzzled frowns as Mr. Brown spoke on the relevance of imaginative literature to everyday life.

These doubts are reasonable. What were they doing there? The lecture, ostensibly, had nothing to do with insurance. There would be, quite obviously, no insight into the future of the business, no economic revelations—not even a single sales tip.

Well, according to Frazar B. Wilde, Connecticut General's president, the aim of the series is to help the individual employee understand himself, his community and his world.

"The company is sponsoring this series because of our conviction that

business in the years ahead is going to require individuals who possess not only intelligence and business training, but also understanding and knowledge of our society and culture," Mr. Wilde said.

Although such an unabashed plug for the humanities is interesting in its own right, it is even more interesting to realize that Mr. Wilde is not some lonely voice crying in some proverbial wilderness.

To name just one more such individual, Eugene F. Gallagher, fire and marine manager for Standard Accident at Chicago, had this to say in an address last month before Insurance Library Assn. of Atlanta:

"Education does not consist merely in training youth or the novice to earn a living. In fact, such a specifically narrowed training may actually prevent the youngster from enjoying the best kind of living.

"Developments in our business, as indeed in all businesses, occur so rapidly that the most a school could hope to do would be to fill the student full of facts which would be interesting, if they were true, but which in many instances would have to be unlearned by the time he actually enters the business, because by that time they would be outmoded and discarded."

Mr. Gallagher went on to say, "We should not look to our public institutions of learning to be too complete in their curriculum on specific vocations,

but should ask that primarily they inculcate a broad and cultural background so that when augmented by such instruction and guidance as the business itself may impart, we will wind up with an individual who has a well-rounded proficiency and who is equipped to earn a living and, what is more important, to enjoy life."

Although one can't actually claim a sweeping trend for the general ideas expressed by these two men, it is true that many corporations and companies these days are recognizing the importance of training in the humanities. A recognition, in other words, that man is best fitted to serve others and himself through a realization of those basic philosophical ideals common to western civilization. A recognition that poetry, music, and the plastic arts are not so irrelevant, after all.

It often happens, as both men indicated, that a man pursues such specialized training for a specific occupation that a formal education is completed without the individual having had more than a smattering (at best) of those courses we lump today under the general term, humanistic sciences.

Accordingly, certain companies have arrived at what actually are two conclusions: The importance of the humanities and the lack of such training in some of their men. To rectify this latter, various approaches are utilized. Some companies feature lecture series. Others hold summer week-end seminars where prominent figures in the humanities lead small discussion groups. Still others encourage their men to take tuition-paid courses at local universities.

We applaud this decision to re-emphasize the humanities. We feel that the humanities have always been the bulwark of any fight against vulgarization, and that the insurance business can better face an uncertain future when its top men have assimilated the basic tenets of their cultural background.—R.R.C.

## Personals

Ralph H. Platts, former president of Standard Accident, has been elected chairman of State Bank of Sandusky, Mich.

Herschel P. Thurber, president of Northwest Underwriters general agency of Chatfield, Minn., and secretary

of Security Mutual, was presented with the distinguished service school board award of Minnesota Education Assn. He has been treasurer of the Chatfield school board for 32 years.

Kenneth O. Force, executive editor of THE NATIONAL UNDERWRITER, entered Greenwich (Conn.) Hospital this week for a thyroidectomy. This is expected to require two weeks in the hospital. After convalescence at his home in Old Greenwich, Conn., he will be back at the National Underwriter Co. office in New York about March 15.

Gordon M. Quarnstrom, director of public relations of Allstate, has been elected president of Chicago Public Relations Clinic.

## Deaths

P. C. WAITE, 91, co-owner of the Waite-Parkin Co. agency of Bozeman, Mont., until he retired and the agency was changed to Waite & Co., died. The agency is now operated by his son, Gardner C. Waite, state director of Montana Assn. of Insurance Agents. The agency was established in Bozeman in 1880.

Mrs. ELLEN O'BRIEN, 88, mother of Joseph A. O'Brien, manager of the New York metropolitan department of Home, and of William F. O'Brien, Passaic, N. J., agent, died at her home in Clifton, N. J.

CHARLES V. LAVAN, a principal of the Lavan-Knightley agency, Cleveland, and member of the Cleveland board, died at his home in Shaker Heights. He had been in the business for more than 40 years.

JAMES V. AHEARN, 47, chief underwriter in New York of Employers Liability, died in the hospital at White Plains, N. Y., after a short illness. He had been with the company since 1936.

F. RUSSELL SILLERY, 42, claims attorney for American Mercury, died at Georgetown University Hospital, Washington. He had been with Seaboard Surety and America Fore Loyalty group before joining American last year.

SIDNEY L. HUTCHINS, 57, retired state agent for Loyalty group in Tennessee, died at Nashville. He joined Loyalty in 1929 and retired early last year.

JAMES L. ALLEN Jr., 65, assistant secretary in the home office claim department of American Indemnity, died after a short illness.

ROBERT W. WASHINGTON, 46, agent in Fredericksburg, Va., died there after an extended illness. He was a direct descendant of George Washington's father.

RICHARD DOANE, 34, underwriter at Seattle of Allstate and formerly a field man for National Fire, died at Seattle of a heart attack.

JOHN LAVERTY, 57, president of Connecticut Underwriters, brokers at Newton Highlands, Conn., died of a heart attack while driving his car into his garage.

RICHARD C. d'AUTREMONT, 72, who retired last year as senior counsel for Continental Casualty, died at Oak Park, Ill. He had been with the company 43 years at the time of his retirement. He went with the company after military service in World War I and handled both the casualty legal claims, as well as those for A&S, the latter line being in its

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infancy. He was responsible for all A&S forms as well, and as he grew with this business trained other men. As the company expanded, casualty claims became the work of several attorneys, while Mr. d'Autremont headed up the A&S legal department with a staff of 10 men to assist him.

**CHARLES M. KERR Jr.**, 62, president of Farmers of York, died. He had been with the company since 1926 and before that was with Underwriters Assn. of the Middle Department and North America.

**TELFER MacARTHUR**, retired chairman of Pioneer Publishing Co. of Oak Park, Ill., and retired director of Bankers Life & Casualty, died. He was a brother of John MacArthur, president of Bankers L&C., Alfred MacArthur, chairman of Central Standard Life of Chicago, and the late Charles MacArthur, playwright.

## Stocks

By H. W. Cornelius of Bacon, Whipple & Co.  
135 S. La Salle St., Chicago, February 2, 1960

	Bid	Asked
Aetna Casualty	211	216
Aetna Fire	74½	76
Aetna Life	85	87
American Equitable	42	44
American (N. J.)	25½	26½
American Motorists	14½	15½
American Surety	17	18
Boston	37½	39
Continental Casualty	65½	67½
Crum & Forster	65½	67½
Federal	56½	58
Fireman's Fund	52½	54
General Re	92	94
Glens Falls	34½	36
Great American	41½	43
Hartford Fire	190	193
Hanover Fire	40½	42
Home of N. Y.	52½	53½
Ins. Co. of No. America	128	130
Jersey Ins.	35	37
Maryland Casualty	34½	36
Mass. Bonding	38	39½
National Fire	138	142
National Union	38½	40
New Amsterdam Cas.	45½	47
New Hampshire	47½	49½
North River	37	39
Ohio Casualty	29½	31
Phoenix, Conn.	81	83
Prov. Wash.	22½	23½
Reins. Corp. of N. Y.	18½	19½
Reliance	45½	47
St. Paul F. & M.	52	54
Springfield F. & M.	31	32
Standard Accident	57	59
Travelers	83	85
U. S. F. & G.	35½	37
U. S. Fire	28	29½

## Aetna Casualty In Two-For-One Split And Stock Dividend

Directors of Aetna Casualty have voted to recommend to stockholders a two-for-one stock split and a 25% stock dividend after the split. Shares will be reduced from \$10 par value to \$5. Capital will be increased from \$14 million to \$17.5 million by transfer of \$3.5 million from surplus. Record date for the stock dividend is expected to be Feb. 24.

If the proposal is approved at the adjourned annual meeting of shareholders Feb. 24, the company expects to declare a quarterly dividend of 30 cents a share on the new stock, representing a 25% increase in cash dividends.

Henry S. Beers, president, stated that the growth in the company's business, and its present financial condition made the stock action appropriate at this time. Par value of Aetna Casualty stock has been \$10 since 1929 when it was reduced from \$100 in a ten-for-one split. A 100% stock dividend was paid in 1945, and a 50% stock dividend in 1955.

## Approve America Fore Deviation In Texas

The Texas department has approved a 20% deviation by Commercial of America Fore Loyalty group on fire and allied line rates on selected commercial and habitational classes in the state. This is the initial deviation on fire classes by the group.

## 1,000 For Boston Dinner To Commissioner Whitney

Insurance commissioners from the New England states, New York and New Jersey will attend a testimonial dinner to Commissioner Otis M. Whitney of Massachusetts to be given by Insurance Society of Massachusetts at Hotel Statler Hilton, Boston, Feb. 18.

More than 1,000 are expected to attend the function at which the speakers will include Mr. Whitney, Commissioner Charles M. Howell of New Jersey and Arthur D. Cronin, Boston broker. Arthur C. Conley, general counsel of Insurance Federation of Massachusetts, will be toastmaster.



At the annual faculty dinner of the school of Insurance Society of New York at the Drug & Chemical Club are, from left, Arthur C. Goerlich, president of the society; Ben D. Cooke, president of Agency Managers Ltd.; Ward B. Gordon of Marsh & McLennan; Thomas Thacher, New York superintendent; and Alan O. Robinson, president of Yorkshire and chairman of the society. Mr. Gordon was the 1959 winner of the annual Anglo-American Fellowship competition conducted by the society and sponsored by Mr. Cooke's firm.



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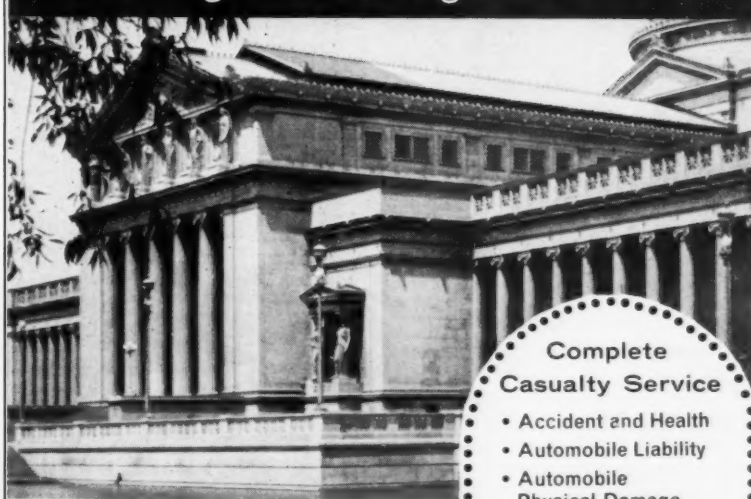
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## Auto Situation Near "Disaster" For Law, Medicine, Insurance

(CONTINUED FROM PAGE 1)

steps to keep the unfit driver off the road.

The department has indicated to the industry, he added, that if it has proposals for solutions to any of the problems in auto liability, the department would be glad to hear them. So far, he added, it is waiting to hear them.

The general objective, he said, is to get the costs of claims paid, and, under compulsory, to provide insurance to those who drive. These objectives should be attained with economy and efficiency. To him private insurance seems the best way to do the job.

The problems, and what is being done by lawyers, medical men and insurance people to solve them, were described in detail by Denis M. Hurley of Brooklyn, who has spent three years investigating fraudulent claims in that borough; George Hall, associate counsel of American Medical Assn., and R. Newell Lusby, vice-president of America Fore. Lewis C. Ryan, Syracuse attorney, moderated the panel.

### Kramer, Benson, Lee Elected

Donald W. Kramer of Binghamton was elected chairman of the section to succeed Harry J. McCallion, associate general counsel of New York Life, who was elected chairman of the executive committee. Frederick M. Benson of Lumbermens Mutual Casualty, New York, was elected vice-chairman, and David W. Lee Jr. of Norwich secretary.

More than 230 attended the meeting, the largest crowd in the section's history. Total membership now exceeds 500, a new high, and second only to the banking section in the bar association.

Reflecting the lawyers' concern with developments in the legal area, particularly in automobile negligence where the compensation system is being more and more discussed, the section authorized appointment of a conference committee of representatives of plaintiffs, defendants, and insurance company interests—"to protect the bar and public in the area of legislation." The chairman of the section will appoint the committee.

Approximately 125 attended the pre-convention dinner at the Manhattan Club. This was inaugurated last year, and this year featured Devereux C. Josephs, retired chairman of New York Life, who spoke on the changes in and the growing complexities of modern economy and society. Mr. Mc-

Callion presided.

Among those at the head table were Mr. Thacher; Julius S. Wikler, former superintendent and now a New York City attorney; Mr. Benson; Clyde O'Brien, Rochester attorney, section vice-chairman; Leonard Amdursky of Oswego and William Herron of Malone, past chairmen, and Albert Conway, former superintendent and long a judge of the state's court of appeals.

Mr. Josephs asked if lawyers should organize non-profit centers on a national or local basis dedicated to research and designed to recommend methods for improving and coordinating the law—statutory, decisional and procedural? Why have lawyers failed to project to the public a better image of their profession, he wondered. Perhaps they need to utilize, by organized effort, modern methods of communication to refocus the attention of the public upon the great body of conscientious, honest lawyers.

Also, he suggested, bar associations might promulgate and adequately publicize reasonably flat fee schedules to encourage individuals to consult them. In addition, lawyers might utilize electronic devices and processes to simplify the vast and expanding body of law and accelerate the tempo of their research.

### Thacher Views Situation

Climbing loss ratios and increasing selection of preferred risks have led to a stringent auto liability market, Mr. Thacher observed. The department is getting many complaints about cancellation in coverage mid-term. Termination of agencies by insurers has led to cancellations. Companies are reluctant to write certain classes of risks—in certain congested areas, for example, and drivers under 25.

Companies are watching and paring expenses. They have turned to such things as automation to hold down costs—and to reduction in commissions to agents.

Tell-tale evidence of the problem lies in the large growth of assigned risks. Presently, the AR plan in New York has a population of 350,000, mostly private passenger cars. That is approximately double the number three years ago when compulsory went into effect. Some increase was expected with compulsory since about 10% were uninsured at that time.

However, today approximately 20% of the automobiles in Manhattan,

Bronx plan, M with 8% maintenance automol erated in went in 1958 in lyn, and The s proposa derwr to reduce on an i increase ever the

Each W Each add to t ance an administ laws, M be such though some dr there. H present and infl will incr Howev the basic tined p more mo served t into the not been the regu so becau pany in a If insu underwri they sho be assign basic que liege of market, a that the has been it can de automobil state is n apply star the road. b time is a That th exists, he insurer th rms from 0% of from New understandi pending in He praii associations tarts to claims me on fraudu charged b work with rs have perhaps ba bliting gi luence a c

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Bronx and Brooklyn are in the AR plan, Mr. Thacher reported, compared with 8% of the automobiles in the remainder of the state. Beyond that, of automobiles owned or principally operated by young unmarried men, 50% went into the assigned risk plan in 1958 in Manhattan, Bronx, and Brooklyn, and 70% in 1959.

The situation has led to legislative proposals that would curtail the underwriting freedom of the insurers, or reduce competition, or put drivers on an individual experience basis, or increase rates for assigned risks whatever their individual record.

#### Each Would Increase Cost

Each of these in some fashion would add to the expense of providing insurance and increase the complexity of administering the rate regulatory laws, Mr. Thacher said. Rates should be such as to provide a free market—though there are always going to be some drivers who can't get coverage there. He conceded also that if the present trends continue, if claim costs and inflation continue to rise, rates will increase.

However, higher rates will not solve the basic problems. He foresees continued pressure to hold down costs as more money goes into claims. He observed that some drivers are going into the AR plan because they have not been advised how to get cover in the regular market; others are doing so because the experience of the company in an agency has gone sour.

If insurers retain the freedom to underwrite, as he indicated he thinks they should, then there are going to be assigned risks. This brings up the basic question of who merits the privilege of being insured in the private market, and who does not. He noted that the state motor vehicle bureau has been made a single agency so it can devote all its attention to the automobile and driver problem. The state is moving in other directions to apply standards for taking drivers off the road. Rehabilitation, in which medicine is ahead of the law, will help. That there is no doubt the problem exists, he cited the experience of one insurer that gets 18% of its premiums from New York car owners—and 40% of its lawsuits, country-wide, from New York state, with 46% of its outstanding law suits, nationally, pending in New York City.

He praised the work of the bar associations and the courts in their efforts to clean house. Though some claims men, found to be in collusion with fraudulent claims, have been discharged by one insurer only to get work with another, efforts by insurers have helped. He suggested that perhaps bar associations consider prohibiting gifts to anyone who can influence a case in any way.

#### May Lose "Bread And Butter"

The danger that lawyers will lose their bread and butter business, auto claim litigation, looms closely, Mr. Ryer said in introducing his panel. The situation is critical. The bar is divided. Plaintiff's attorneys seek larger and larger verdicts and criticize insurers for opposing them. On the other hand, the insurer defense segment of the bar remains dignifiedly silent, and attorneys not interested in the negligence field remain austere silent and unconcerned.

It has been suggested that allowances for pain and suffering be eliminated because of public protests against rapidly rising auto insurance rates. The idea of a compensation scheme for auto injuries is gaining

adherents. Insurers are growing more sympathetic with it.

In Connecticut, he said, a bill was introduced to set up an automobile compensation board. This has been referred to Yale Law School for review, report and recommendation. In that school, he said, there is sympathy with and support for a compensation plan.

Some officials of NACCA have criticized insurance company figures on auto claims though the figures are required by state law and audited by insurance departments. It has been suggested, he said, that NACCA may be committing mass suicide. Exaggerated and fraudulent claim costs are the biggest single factor in the rise of auto claim figures.

#### Try To Maintain Standards

Insurance companies do a good many things to maintain standards of propriety and efficiency among personnel connected with claims handling, Mr. Lusby brought out. These include training and supervision, rules, checks and other practices.

What is a fraudulent claim? Mr. Lusby described it as "any claim pre-

sented in which there is intentional misrepresentation of any fact essential to the determination of injury and damage."

One of the duties of a profession is always to understand that the public looks to it (and to the insurance business as well) to meet extraordinarily high standards of conduct. Neither the professions in this area nor the insurance business should become so enamored of "selling" that they forget this, he declared.

There are two classes of fraudulent claims—those in which the defendant (or his representatives) has been duped by the plaintiff and led to make payment that should not have been made, and those in which the basis of fraud is aided by the knowing aid of an insurance company or its representative.

What can be done about such claims?

Much, he said, that has not been done. The insurers must operate on certain basic assumptions. One of them is that the professions of law and medicine and the judiciary will in fact observe the highest standards. Thus if a lawyer says that here is a letter

from an employer certifying to the loss of time by an injured employee, "we should be able to rely on the honesty of the fact."

Mr. Lusby said he hoped that insurers will not have to do all of the things they can do to make certain that this is the fact. But if the legal and medical professions say in effect, "we are not reliable," insurers will have to adopt procedures to verify the facts, thus incurring the expense of doing so. These are costs, he said, which the public would rather not pay.

#### Arms Length Dealing?

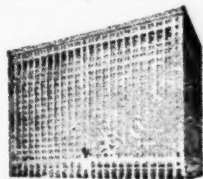
But more important, he added, is the hope that the situation does not get to the point where the insurers have to deal at arms length with the professions, as men in the market place must do.

Mr. Lusby said it was his personal view that while not questioning the propriety and wisdom of the current Kings County, N. Y., investigation of fraudulent claims, which carries the mandate of secrecy, he and others have asked the appellate division of the state court to furnish the names of any of its employees who are shown to be in-



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volved. So far the request has produced nothing, except testimony of one witness that certain insurer employees have been given gifts of whisky.

Consequently, he said, the companies cannot determine whether the problem is quite small or very large.

He noted also that the insurance business does not have, as does the law profession, century old traditions of effort and standard. So one of the first problems in the casualty business is to create a climate which will produce a sense of high obligation among its employees.

How can this be done? His own organization tries to do it by supervision of the daily work of those concerned with claim settlement, by teaming young employees with older ones. Responsible companies teach employees that claim work is heavily charged with ethical duty.

Beyond this, he said, checks are maintained. His organization closes no claims without notice to producer and insured. This is highly effective—in many cases both question why the company settles this case for this amount. The companies make sample

audits of claims, by agency, for example. The aim is to determine if employees of the companies are conducting themselves properly.

Beyond that, the company has well defined rules. For example, it has many lawyers on its staff, but none may practice law independently. It is common in commerce to exchange gifts, but his group does not permit employees to accept gifts, even whisky. The group has cooperated fully with every inquiry. All its employees are "available" for testimony.

He asked his audience if they

thought that the public would be thoroughly and properly served by doctors and lawyers who did any less than all of this?

Law, medicine and insurance must combine against "plain thievery" in claims, Mr. Hurley declared. He urged effective liaison between the three groups at the top level—and the interchange of ideas to assure concerted action on all three fronts.

Mr. Hurley has been conducting the judicial inquiry and investigation into misconduct of attorneys and others in Kings County. This was authorized Jan. 21, 1957, by the appellate division of the state supreme court. It has uncovered not only minor ethical infractions and violations of the rules of the court, but also serious penal offenses, he said. While crimes by lawyers are rare, the inquiry has unearthed criminal evidence in certain cases of fraud, forgery, perjury, grand larceny, deceit, corruption, crime and misdemeanor.


#### 5,000 Practicing Attorneys

In five years, 1955 through 1959, Kings County lawyers filed in the appellate division more than 150,000 statements of retainer. Of 5,000 practicing lawyers in the county, 76 lawyers had more than 100 cases a year; some of them had over 200, 300 and 400; and one lawyer had more than 600 cases. Mr. Hurley said the investigation had looked into the practices of 134 lawyers and filed final reports on 53. Eighteen have been disciplined by censure, suspension or disbarment. Criminal proceedings were instituted against six, who resigned or were disbarred. Disciplinary proceedings are pending against 34. Another 31 have been referred—with adverse reports—to the court for action.

Persons who acted in concert with lawyers included 41 doctors and two dentists, who have been referred to state for discipline. Seventy employees of insurers have been referred to the insurance superintendent. Of this number, 27 have resigned or have been discharged. Many others have been referred to governmental agencies for action.

#### Fifth Amendment Problem

One problem Mr. Hurley emphasized is the 5th amendment case—92 witnesses, including 42 lawyers and 24 doctors, have refused to answer questions at the inquiry because their answers might tend to incriminate them. One of the 42 is Albert M. Cohen. Disciplinary proceedings were instituted against him by order of the appellate division. He was admitted to the bar 37 years ago. On Dec. 31, 1958,

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the second department ordered his disbarment. His appeal is now pending. The case raises a single question of law.

#### "Officer Of The Court"

The majority of the court held that an attorney who refuses to answer questions and to produce his financial records at a judicial inquiry into unprofessional practices will be disbarred even though he bases his refusal upon his constitutional privilege against self-incrimination. Cohen was disbarred not because he invoked the constitutional privilege, which he had the right to do, but because he failed to discharge his obligation and responsibility as a lawyer and officer of the court and thus showed that he was unfit to continue a member of the legal profession.

Cohen was disbarred for violating his "inherent obligations as a member of the legal profession," because his refusals to answer are "contrary to the standards of candor and frankness required of lawyers" and in defiance of the court's authority to investigate his practices as a lawyer.

Mr. Hurley regards the vital principle enunciated in the Cohen case as a landmark in law. In stressing the duties, obligations and responsibilities of the lawyer in contrast with his reciprocal privileges as a lawyer, the view expressed by the court is a natural and logical, as well as moral and ethical, consequence of the high place held by the lawyer in American society, he said.

The disbarment of Cohen for his un-lawyer-like conduct establishes a firm precedent for the disbarment of 41 other lawyers who patterned their conduct upon his. The same principle of law may be invoked in the cases of the 24 doctors who adopted a similar attitude.

He said there is effort to have enacted at this session of the legislature a bill amending the judiciary and penal laws to empower the court or referee to grant immunity from criminal prosecution to a witness in a disciplinary proceeding or in a preliminary judicial inquiry. This would compel the witness to talk under pain of contempt.

#### Public Partly To Blame

Mr. Hall noted that the fraudulent lawyer purchases "reports of physicians, garage mechanics, engineers, investigators and others," and that he is of course constantly egged on by his client. However, homes, schools, churches, organizations and institutions must accept a share of the blame for this moral decay.

Fortunately, he added, the medical profession is a much more closely integrated group than the general public and is in a better position to exercise a force for good over its members. Perhaps that is why the ethical standards of physicians are above those of the population as a whole—in spite of some glaring exceptions.

Long aware of the problem, the medical profession today is using education and moral suasion, voluntary disciplinary action, and legal punishment to enforce ethical standards and penalize their non-observance.

American Medical Assn. has been a strong proponent and active promoter of medico-legal meetings to give the two professions opportunity to meet each other and discuss mutual gripes openly and without rancor. One result has been adoption of an inter-professional code for doctors and lawyers.

In addition, the medical profession has its own principles of ethics. In existence more than 50 years, these

have been revised and more concisely restated. Among other things, they obligate the doctor to "expose, without hesitation, illegal or unethical conduct of fellow members of the profession."

Every county medical society has had since organization a grievance committee or board of censors—or both. In 1959, Mr. Hall added, a disciplinary committee of AMA was established whose aim is to ascertain if disciplinary procedures exist and if they are being used. The committee agreed to:

Examine the standards, procedures and rules of medical societies and boards which deal with professional discipline and evaluate the adequacy of such discipline; evaluate state laws and medical license board regulations; study the extent to which discipline is maintained by medical staffs in hospitals; investigate medical discipline; and recommended measures to improve it, and recommend new legislation or amendments.

State licensing laws require rigid educational standards and good moral character, Mr. Hall observed.

A new type of law for controlling physicians became effective in Washington in 1955. Under that medical disciplinary act a board composed of one doctor from each Congressional district has been established. The attorney general represents the board, which investigates complaints of unprofessional conduct and acts to revoke or suspend a license or reprimand the practitioner. The act places direct responsibility upon the profession to handle its own disciplinary problems.

Cases would, he said, come before this board such as that of the doctor who testified in the case of a woman six weeks pregnant at the time of an automobile accident. The case came up for trial six weeks before her baby was to be born. The one doctor testified that he felt the baby would be marked and a nervous wreck all of its life because of the fright of the mother when she was six weeks pregnant. This was a gross misstatement with which no other doctor agreed.

The conduct of the doctor who repeatedly testifies in personal injury cases at variance with all the other doctors who have seen the injured person probably would be open to review by this board.

There is, Mr. Hall said, considerable sentiment in the profession for license withdrawal from the physician who sells his testimony to the highest bidder and shades his testimony to the extent that he is paid.

#### Panel On Recent Trends

The concluding panel on recent developments in insurance litigation ran into lack of time. However, those who stayed to listen heard two stimulating discussions, one on disability in connection with life insurance by Samuel M. Lane, New York attorney, and the other on casualty by William F. X. Geoghan Jr. of New York, successful plaintiff's attorney. Solon Stone, Buffalo attorney, was fog bound at the airport there and was unable to deliver his discussion of workmen's compensation. However, his discussion is being presented separately in THE NATIONAL UNDERWRITER.

Raymond O'Keefe of Fordham Law School, New York, acted as moderator of the panel.

Among other things Mr. Geoghan noted that the general business law of the state was changed last year to make the owner of an airplane liable for damage or injury when he loans it to someone else in the same way that the owner of an automobile is liable under the same circumstances.

He called attention to two bills before the New York City council on sidewalk cases. One would require the injured person to give the city written notice of the fall and a description of the sidewalk defect. Mr. Geoghan said this would, if passed, give New York City the same statute as is in effect in Nassau County, N. Y. Another bill would make the adjacent landowner primarily responsible for the condition of the sidewalk. This would, Mr. Geoghan thinks, be of interest to insurers, if passed.

Several bills are before the state legislature, he said. One would permit the attorney for the plaintiff, on examination before trial, to question the defendant on the terms of the liability policy. What's wrong with that, Mr. Geoghan wanted to know.

#### Corcoran Opens Adjusting Office In Southern N. J.

Fred Corcoran has opened an adjusting office at Stone Harbor, N. J., for claims service in the southern part of the state.

Mr. Corcoran was chief adjuster of Liberty Mutual, manager of casualty claims of National Surety, secretary and general claims manager of Manufacturers Casualty and Manufacturers Fire, and was later in the independent adjusting business in Philadelphia.

#### Joins Dixie Auto In Claims

Dixie Auto of Anniston, Ala., has appointed Ben M. Stringfellow claim examiner. Mr. Stringfellow, who disposed of his own adjusting business to join the company, had formerly been with Life of Georgia and later with Service Fire at Columbus, Ga., handling PHD claims.

American Central and Commercial Union Assurance of the Commercial Union group have joined Assn. of Casualty & Surety Companies.

#### Hartford Fire Raises Woodward, Wehling

James B. Woodward of the southwestern department of Hartford Fire at Dallas has been promoted to resident comptroller of the Pacific department in San Francisco. He will be succeeded at Dallas by Ronald E. Wehling.

Mr. Woodward joined the group's accounting staff in 1948 at the home office and was transferred to Dallas in 1958. He is a past president of the Hartford Fire Men's Club.

Mr. Wehling started at Chicago in 1956 and has been at Dallas since 1958.

#### House Trailer Coverage Extended To Seven Years

Several insurers have applied for and received permission from Louisiana Insurance Rating Commission to write house trailer PHD coverage up to a period of 84 months, or seven years. This accords with the new length of time for which house trailers are financed. Heretofore the maximum period of PHD coverage (and financing) was five years.

#### Counselman President Of Baltimore Agents Assn.

Assn. of Insurance Underwriters of Baltimore has elected Charles C. Counselman Jr. president. Elmer J. Rhody is vice-president, and Robert C. Bock secretary-treasurer.

Yacht Safety Bureau is seeking a site near Atlantic City on which to construct laboratories to evaluate and label craft for the pleasure boat industry. The bureau has been reorganized and now has support from National Assn. of Engine & Boat Manufacturers. Carlisle H. Boger, yacht secretary of Atlantic Mutual, is president of the bureau which formerly was supported entirely by insurers.

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## Develops Auto Operator's Endorsement

(CONTINUED FROM PAGE 6)

tion to continue to be a good driver in spite of their age.

Personnel of this company have been serving on a committee to explore a psychological test designed to reveal attitudes that experience has demonstrated lead to accidents when they are expressed behind the wheel of a motor vehicle. Inasmuch as the company does have an interview program in effect at this time, attempting to improve the errant driver and to encourage the driver in continuing effort to be free of violations, we have been most anxious to see psychological tests developed and used.

### Endorsement Given

The operators' endorsement used by the company reads:

Part A—as to coverages A, B, and C, when included in the policy:

It is agreed that such insurance as is afforded by the policy applies only with respect to private passenger automobiles when operated by the named insured, or the spouse thereof if a resident of the same household, subject to the following provisions:

1. The insurance does not apply:

(a) To the spouse of the named insured during any time that as between them there is available for regular use of either or both more than one private passenger automobile, whether owned, leased or furnished, unless the additional automobiles are insured against bodily injury liability and property damage liability in this or another company, which insurance protects said spouse;

(b) To any accident arising out of the operation of an automobile repair shop, public garage, automobile sales agency, service station or public parking place.

(c) Under medical payments, unless the injury results from the operation of a private passenger automobile by such named insured or spouse.

2. The unqualified word "insured" includes (a) such named insured and spouse, except as stated in 1(a) herein, and (b) by other person or organization legally responsible for the use by such named insured or spouse of an automobile not owned or hired by such other person or organization.

3. Insuring agreements III, IV and V do not apply to the insurance under this part.

### Excess Over Other Cover

4. The insurance shall be excess insurance over any other valid and collectible insurance available to the insured or spouse, either as an insured

under a policy applicable with respect to any such private passenger automobile or otherwise; provided however that with respect to the named insured only when this policy is certified as proof of financial responsibility for the future under the provisions of the motor vehicle financial responsibility law of any state or province then if there is available to the insured other insurance against a loss covered by this policy the company shall not be liable under this policy for a greater proportion of such loss than the applicable limit of liability stated in the declarations bears to the total applicable limit of liability of all valid and collectible insurance against such loss. Condition 20 does not apply to this insurance.

5. All other terms and conditions of the policy remain unchanged.

Part B—as to coverages D through J, when included in the policy:

1. It is agreed that such insurance as is afforded by the policy applies only with respect to the automobile described in the declaration, if any, and newly acquired automobiles under paragraph a(4) of insuring agreement IV. Otherwise, insuring agreements III, IV and V do not apply to the insurance under this part.

2. All other terms and conditions of the policy remain unchanged.

### Badger, Miss Johnson In New Weghorn Agency Unit

Trafton O. Badger has been named head of a new special risk department of the John C. Weghorn agency, New York. Miss Grace M. Johnson has joined the agency and has been named assistant manager of the new division.

Mr. Badger has been with the agency since 1945. He has been underwriter of inland, ocean marine and foreign risks and will continue in these responsibilities. Previously, he had been with National Surety Marine and before that with Newhouse & Sayre.

Miss Johnson has been with New Amsterdam, American Mutual Liability, Royal-Globe, Pacific Employers and National Surety. She was the first woman to be designated a CPCU in New Jersey.

### Bailey Is Elected

Sam A. Bailey, Grain Dealers Mutual, has been elected president of Mountain States 1752 Club. Clay E. Koch, D. C. Royer agency was named vice-president and Gordon A. Ball, Central Mutual, secretary-treasurer.

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## Sees Hopeful Signs For Future Growing

(CONTINUED FROM PAGE 5)

over the years to the point of jamming assigned risk pools. From the standpoint of the other portion of the premium, it permitted the independents to garner \$1 billion in the best premium classes. There is still a suspicion that the current rates in the young driver class are adequate and that, as a whole, this classification should support itself.

### Projects Potential Buyers

Because of the carry-over of feeling that developed when young driver rates were inadequate, no aggressive research or follow-up on the potential of this class has been made until quite recently. Now, some sources contend that seven out of 10 young drivers are profitable insured and that by means of biographical, psychological and historical tests, the three poor drivers can be determined. Assuming that this class of business is reviewed for the purpose of maintaining it on the agent's books for the next 10 years and thereafter, it is quite possible from the standpoint of numbers to introduce consecutive groups of young drivers, over a 10 year period, and end up with a record of 90% in the profitable classification.

In addition, in the next decade the population explosion will increase young drivers by over three million a year. The application of a pure premium, pure expense theory to this type of business would show that the percentage method leaves other elements for profit, when the premium approaches the size of those involved in this particular classification. It is estimated by some that a combination of the rates in force and the population explosion will develop a gross young driver premium that will stand at the two billion mark at the end of this decade, and that a selected group of these will then become the ideal policyholders of the future, Mr. Milbrandt declared.

He does not believe that a merit plan that might closely approach the net cost of the independent writers will be sufficient to entice policyholders. Only a formula that permits the agent to write new entrants in the field of auto insurance buying will regain for the agency system its former percentage of this line. There is little question, therefore, where the agent's activity must lie, and what portion of the automobile classification problem must first be solved, Mr. Milbrandt concluded.

### Nolan, Wis. State Agent Of Merchants Group Of N. Y.

Merchants group of New York has appointed Thomas H. Nolan as Wisconsin state agent. Mr. Nolan was formerly Wisconsin-northern Illinois state agent of Great Northern.

Richard A. Franzen and Stephen C. Wyler have been elected vice-presidents and directors of Wirt Wilson & Co., Minneapolis agency.

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## Zurich Life To Write Individual Business

Zurich's life company affiliate, Zurich Life, has expanded its portfolio to include individual life policies and has appointed R. R. Hagelman vice-president to direct the expansion program. Prior to his appointment, Mr. Hagelman was president of Southern Heritage Life.

Zurich Life entered the business in 1947 and has confined its writings to group and credit life, with ordinary written only on a conversion basis from group. The new program, expected to be in operation about mid-year, will provide a complete portfolio of individual policies including various forms of whole life, limited payment, endowment, retirement income, term and family income.

An agency development program will be undertaken in states near the head office. Life business will also be solicited on a brokerage basis through present producers of the Zurich group.

### Pa. Smoke & Cinder Club Elects Goodwin President

Smoke & Cinder Club of western Pennsylvania has elected Thomas J. Goodwin president. Other officers are Henry C. Kienke, vice-president; Donald Nary, secretary, and John A. Stewart, treasurer.

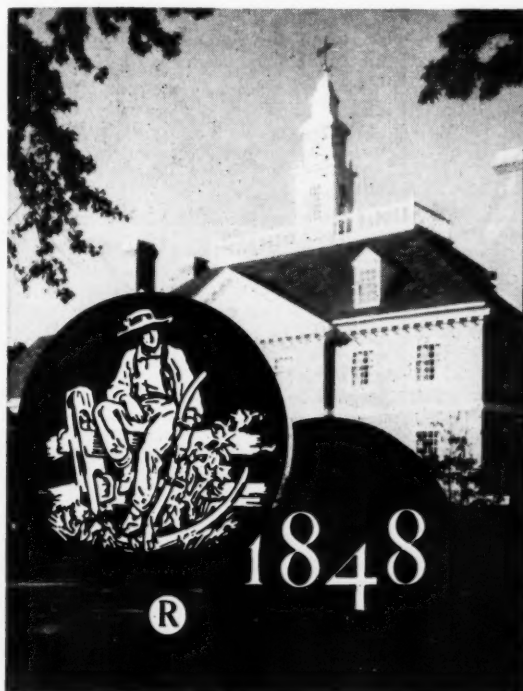
### Jacoby With Canton Agency

B. M. Jacoby, who has been state agent of Aetna Casualty in Cincinnati, has joined the Wildman-Steele-Dougherty agency in Canton. Before going to Cincinnati, Mr. Jacoby was special agent at Cleveland of Aetna Casualty.



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## Topics For Tomorrow's Headlines: Superselectivity To Supervision

(CONTINUED FROM PAGE 2)

pect of making defensive moves as bureau or former bureau insurers get into the arena. Two developments in this area already have occurred:

1. Independents are appearing in opposition to changes. This unusual position will become more familiar to them in 1960 as their position shifts (at least to a degree) from offense to defense.

2. One "direct writing" organization has become suspicious that it has not been competing for business in the true sense of that term but only getting business that was not being asked for by other insurers. This raises the question of whether its methods, including price differentials, are really effective against knowledgeable, vigorous toe-to-toe competition with insurers using other methods. To find out, it is conducting a special test in a few markets dominated by multi-company agencies. The results will be watched with interest.

### "Direct" Billing

There will be more discussion, principally by producers and some of it acerbic, about direct billing. The objective of the companies in preparing bills and renewal notices is to reduce their costs in this area. Most competitive agency companies don't care who sends them out. They do care, however, about flat cancellations and free insurance. They face the necessity of reducing this cost from as much as 15 points or so to 2 points or less. In agency offices where flats and free insurance are caused by failure to send out bills on time, direct billing may have to be used on the customers of that company for that agency. However, if an agency doesn't have an effective collection system, or if it sells to a lot of people who don't or won't pay their bills, the direct method by the company is to get the money from the agency in the prescribed time or cancel it. For the agency with a collection problem that it can't solve, a payment plan, with direct or agency billing, could be the answer.

### Ad Spending To Rise

With more companies spending more money on advertising, promotion, and marketing generally, such expenditures will rise to a level much closer to that of businesses that do market their products—as in recent times they have risen, for example, in the commercial banking field.

One aspect of marketing also involves underwriting, superselection of risks.

### Superselection Of Risks

—Underwriting. In selectively underwriting automobiles (with some of the same thing happening in homeowners) the bureau agency companies indicate they are taking a leaf from the book of the direct writers and specialty companies. The result has been to intensify competition, notably for automobile business, in price and in refinement of risk classification —accompanied at the other end of the scale by an increasing number of assigned risks. The further and harder the business pursues the preferred risk, apparently more risks are going to be left in the dust of assigned risk plans. In a few areas, notably California and New York, the number of assigned risks and complaints from the public have become critical, and public officials are insisting something be done.

If the companies can make surcharges work, the key problems in auto insurance might be reduced. But there is a strong suspicion that insured with surcharges, with whatever political, social and economic assistance he can muster; that the producer, who at this point is willing to concede that his commission comes from insured and not from the company; and that even underwriters at the home office, under firing line pressure multiplied by the big emphasis on marketing—all will work against the surcharge. Conditions could do likewise: If they improve enough, here and there, the surcharges will fall into disuse.

### Homeowners Rates Going Down

On homeowners, as the rate is pared for competitive purposes and then repared, the tendency is to underwrite more closely and to refine classifications for the purpose of more readily identifying preferred risks. One company won't write HO for anyone with less than \$18,000 income a year; another writes in only certain sections of communities.

However, what is happening in automobile and homeowners are only symptoms of the competitive fever that is apt to break out any time in any line or classification and in any state or territory. If enough companies take in after the superior risk with variations in coverage, rates and




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rating plans, it is a good guess that insurance departments will try to call a halt in order to maintain some semblance of order. They will have two critical problems on their hands, to protect the public from utter confusion and to save any essential function left in the rating bureaus from extinction.

This one will bear watching.

A climate is developing with surprising rapidity in which tons of insurance dollars may be committed to individually varied courses of cover, rating, and price.

As the business gets farther away from it, a general average rate and basically concurrent coverage become more attractive. The superselective drive may leave the middle ground the best place to look for opportunities.

#### Agency Operation

—Agency operation. Costs are higher, but they are higher for every kind of agent. It costs more to pay the way of their agents into that business and keep them there; it costs more for fire-casualty companies using the life system to find and get agents into production, and it is harder for these companies to keep exclusive agents. Agency companies are the only ones that have brought down their acquisition costs a little in the last couple of years.

But before the full tide of commission reductions has exhausted itself, agency companies already find running a tide of profit sharing plans.

In 1960 multi-company fire-casualty agencies will tend to get sorted out more in relation to realities. The fully operative, fully competent agency enterprise is apt to stop getting less and start getting more but will put more of its business in fewer companies. There is still some grading up—and out—of agencies by the companies; there is some and will be more company realignments effected by agencies.

Companies are finding out what agencies are profitable for them—what kind, what size, what quality. They will devote more attention to them, and close out or quit spending money on the other kind.

Some agencies will start operating two departments, one for regular full coverages at regular rates and commissions and one for specialty prices. But most agencies have done this for years anyway. In the less expensive division will be the six months restricted policy, use of renewal notices, billing by company or agency but in a wholesale fashion in either case. This department could be the one in which to start the young addition to the agency, who will spend most of his time selling. (As this agent gets older and acquires more business, and as his clients become older with more business, he, too, will serve a clientele. In turn he will need to get a young man who spends most of his time selling.)

The plaint of one long time, non-

agent observer of the business is understandable:

"The good old days will not return. Progress is inevitable and to resist is futile, perhaps fatal. But somewhere in the new scheme of things there must emerge a return to some fundamentals. When and where, for example, will the automobile insurance market stabilize and permit salesmen to sell with confidence that some new gimmick will not be introduced next week or the week after? When, where and at what cost to the public will the dwelling business be placed on properties too old for package policies or owned by persons who want only fire and EC on the building? What happens to fire insurance rates when more and more of the desirable risks of a given class are placed under "special plans" and the remainder must stand alone and be subject to the law of diminishing returns?"

"This year can be an extension of the hectic decade just past or the start of a new era rationalized against public needs, the trained and effective agent, the competent and research minded management supported by thorough and experienced staff and actuarial work by rating and advisory bureaus."

—Mergers. More of them are coming. Several are being negotiated. Even where they are not in discussion the financial and management situations of a few insurers are such as to make mergers almost a necessity. There

#### See Prepaid Dental Care As Next 'Blue' Plan In Mich.

LANSGING—A Blue Shield type of organization that provides prepaid dental service was forecast at the annual dental health conference of Michigan State Dental Assn. here. Dr. C. E. Rutledge, president California State Dental Service Corp., described the growing pressure from union labor which, he said, will virtually force formation of such service in Michigan by the dentists themselves if they are to avoid union-operated plans.

Dr. Rutledge said that unions are looking at prepaid dental care as a fringe benefit they will demand in new contracts. In California the longshoremen already have forced such benefits in the contract, as have supermarket employees. Dr. Rutledge predicted general adoption of plans of this nature in union contracts in the coming decade.

Dr. K. J. Ryan of Flint said plans are being shaped up for formulation of a prepaid dental service plan to be operated by the dentists, and he was critical of labor or management controlled plans as "a distinct invasion of our right to control dental health, a right given to us by Michigan law."

Thomas C. Payton, professional relations director of Michigan Medical Service (Blue Shield), advised that any dental plan adopted be modeled after Blue Shield.



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may be a few more on the other side of the Atlantic. There are certain to be more on this side.

#### Small Insurer Combinations

One curiosity is that there haven't been more combinations of small insurers. Some small insurers have combined—though these have not always made the news. Their fewness still is impressive. Nothing, perhaps, testifies more convincingly to the local character of insurance. Yet, granted that the smaller the company and its area the smaller its problems, it is likely that the growing price fight for choice business will put pressures on these companies that heretofore have been relatively unfelt.

The possibility that the big life companies will be looking for fire-casualty facilities has convinced some of the larger fire-casualty insurers they had better try merger as a protective device before they are swallowed up.

—Life. Life companies aren't apt to get into fire-casualty operation this year. They may in 1961. Meanwhile more fire-casualty companies will get into life. The assumption has been that the life companies had the superior method of operation because of exclusive representation by the agent (they do get more attention paid to their problems by agents than some of the fire-casualty agency companies by theirs). But a head start in dealing with the marketing and underwriting of every line that insured needs instead of just parts of it can be of some advantage to the fire-casualty companies. One basic advantage of the agency company over the exclusive agent company, though seldom discussed, continues—it doesn't cost the insurer as much to start in business.

#### Unglued From P.L. 15

—Supervision. The action of the federal government in moving against the aviation insurers under the anti-trust laws will do more to unglue the fire-casualty business from support of and reliance on public law 15 than all previous developments put together. (If air crashes keep up, events will revise the marketing of aviation insurance before Sen. O'Mahoney, the Department of Justice, or the grand jury can do so.)

The business has just about concluded that the McCarran act is not an effective device to reserve regulation to the states.

The trouble is that several things have been expected from the law by interests in the business or those interested in it; these objectives are difficult to bring into concordance. Some

independents have expressed the view that the law should be rephrased (at least) to spell out that an insurer is free to be different on price, coverage, classification, protection, expense and any other of the traditional standards. With this the Senate anti-trust and monopoly subcommittee has indicated some sympathy. A few bureau company representatives have indicated that under regulation some standards should be maintained for all companies. However, the commissioners, who have looked to P. L. 15 as a Congressional reservation of insurance to the states, have in most states gone along with the "differences."

To a degree, while the debate about who is going to regulate the business goes on, it is becoming substantially unregulated. It will become more so in 1960. A swing to California type rate regulatory laws is expected to start this year—with little or no opposition.

#### Employers Liability Holds Construction Men's Course

Employers Liability held a week's construction safety seminar in January for representatives from construction companies it insures.

John Wildman, superintendent of Employers Liability engineering department, described the conference as a different approach to indoctrination in accident prevention for policyholders. The first conference may be the forerunner of similar courses for insured in different industries. The faculty was comprised of John Geary, William Pierce, and Richard Cambro of the home office engineering department, and Edward Kallis of the New England engineering department.

A highlight of the conference was a luncheon at which Daniel Linscott, U. S. deputy manager, discussed premium savings through sound accident prevention programs.

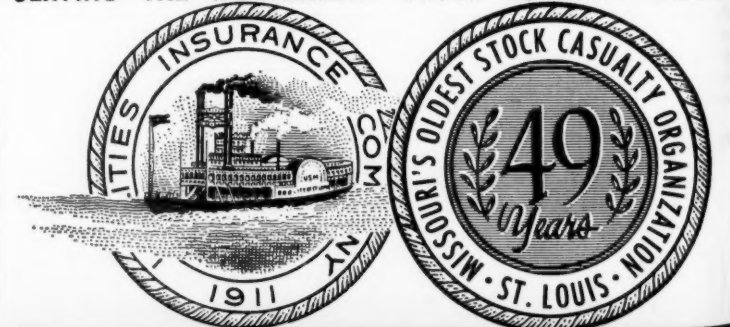
#### St. Louis CPCUs Elect

St. Louis CPCU chapter has elected Paul O. Dudgey, Lawton-Byrne, Bruner agency, president. Robert Hunter, Daniel & Hunter Co., is the new 1st vice-president; Roger English, E. Dance, and English & Co., 2nd vice-president; David Anderson, Marsh & McLennan, treasurer, and Maurice Weingart, Joseph Weingart agency, secretary.

#### W. Va. Claims Men Elect

Central West Virginia Claims Men's Assn. has elected Rudolph C. Albert of Shelby Mutual Casualty president; Eugene Caussin, Motors, vice-president, and Charles Buckner, F.&C., secretary-treasurer.

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# Conn. General Life Says N. Y. Department Misinterprets Law

(CONTINUED FROM PAGE 1)

General's memorandum or brief deals with two main points:

1. That sections 193(2) and 42(3) of the insurance law do not prohibit an out-of-state life company from acquiring a controlling interest in a fire or casualty company.

2. That the department's interpretation of the two sections would make the sections unconstitutional, by denying to Connecticut General the equal protection of the laws and due process of law.

Regarding the first point, the brief states that "express language relating to a controlling stock interest is absent from sections 193(2) and 42(3)."

The brief quotes the following from section 193(2):

## Cites Limits On Powers

"No alien life insurance company licensed to do a life insurance business shall, within the United States, and no foreign life insurance company licensed to do business in this state shall, except as stated in subsection 6 of section 42, within or without this state, do any kind or kinds of business other than those specified in paragraphs 1, 2 and 3 of section 46 (life insurance, annuities and accident and health insurance)."

Section 42(3) provides:

"No foreign insurer shall be licensed to do in this state any kind of insurance business, or combination of kinds of insurance business, which are not permitted to be done by domestic insurers hereafter to be licensed under the provisions of this chapter. No foreign insurer shall be authorized to do business in this state if it does in this state or elsewhere any kind of business other than an insurance business and such business as is necessarily or properly incidental to the kind or kinds of insurance business which it is licensed to do in this state."

## Life, Annuities, A&S Allowed

Sections 191 and 196 permit a domestic life company to be organized only to do the business of life insurance, annuities and A&S.

"Thus sections 193(2) and 42(3) in effect say only that a foreign life insurance company may do certain kinds of insurance business and not others," the Connecticut General brief continues. "Neither section contains any reference whatever to a subsidiary, affiliate, parent or other related corporation of a foreign life insurance company, nor to the kinds of business that may be done by such a related corporation."

"Elsewhere in the insurance law, however, there are repeated references to parent and subsidiary corporations, affiliates and other similar corporate arrangements. The very words 'affiliate,' 'holding company,' 'parent corporation' and 'subsidiary' are defined in terms (section 4).

"Section 4 provides as follows: . . . 'Subsidiary' means a corporation of which a majority of the capital stock is owned or controlled by another corporation, called herein the 'parent corporation.'"

## Existence Not Ignored

"Accordingly, the legislature has clearly spelled out its intention of taking into account, and regulating when it so desired, the possible existence of parent and subsidiary corporations, as well as other similar arrangements, in a wide variety of situations."

"Thus section 67(1) expressly refers to the situation where a foreign insurance company licensed in the state owns the whole capital stock of another insurer and provides that such investment shall not be used to lessen competition. . . .

"Section 78(5) provides that no insurance company doing business in the state shall make a loan to any director or officer, directly or through a subsidiary. . . . Section 78(6) forbids certain financial transactions by a subsidiary of an insurance company doing business in the state."

After citing some more statutory references to subsidiaries, the brief goes on to say:

## Could Have Been Explicit

"If it had been intended to cover the business of a parent, subsidiary or other related corporation of a foreign insurer in sections 193(2) and 42(3), it is difficult to see why express language was not used. It would have been an easy matter, for instance, to have included language in section 193 along the following lines: 'A subsidiary of a life insurance company may do only such kinds of business as may lawfully be done by the life insurance company itself.'"

"The omission of any such language in the two sections and the repeated use of such express language elsewhere in the insurance law clearly points to the conclusion that subsidiaries were not intended to be covered in sections 193(2) and 42(3)."

The brief cites legislative history to support the contention that the two sections were not intended to cover the kinds of business done by a subsidiary of a foreign life company. It notes that when the insurance law revision enacted in 1939 was being formulated, its draftsmen were aware of the existing ownership of fire and casualty subsidiaries by foreign life companies and in the years prior to 1940 it was common practice, as it is today, for an insurer to own a subsidiary writing a kind of insurance the parent company is forbidden to write.

The brief points out that in his report to the legislature for 1935 the insurance superintendent, who was a member of the insurance department committee that produced the 1937

tentative draft revision of the law, stated:

"For many years controversy has existed over the so-called multiple line problem. One school of thought has maintained that the public good requires the rigid segregation of insurance into categories (life, fire and casualty) which are mutually exclusive each one to the others. This has been and is the prevailing rule in New York and most other states and is sometimes referred to as the American system. As a result when a group engaged in one form of insurance business desires to enter one of the other fields it is necessary to form a new corporation for that purpose."

The brief continues: "Section 32.1 of the 1937 tentative draft and the draftsmen's comments thereon indicate both

that the draftsmen were aware of the existing parent, subsidiary and affiliate groups of insurance companies and that they contemplated that such group would continue under the new law.

## Banned Similar Names Unless . . .

"Section 32.1, which became section 50 of the present insurance law without change, provided that a license should not be granted to any insurer with a name identical with or misleadingly similar to the name of any other insurer already licensed in the state. The section authorized the superintendent, however, to issue a license to a company with a name similar to the name of a company already licensed if the licensed company gave its consent."

"The insurance department committee's comment on this section emphasizes that it was designed 'to protect the insuring public against confusion of similar names of companies engaged in different kinds of insur-

Producers who  
work with us  
say:

*"Very good  
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ance business. . . . Under the present (insurance law), the certificate of authority can be refused to one corporation only if its name is similar to another corporation "authorized to transact such business."

"At present, then, the superintendent has no power to refuse a license to a "Travelers Marine Ins. Co." Under (section 32.1 of the tentative draft) he has such power. . . .

"The statute makes allowance for the application of "fleets" of companies all under the same ownership or control by permitting the superintendent to license the company engaged in a different kind of business, even though it has a name similar to that of an existing company, on condition that the latter consents to the issuance of the license. Presumably a company would consent only if it had control over the new company."

### Made No Material Change

The Connecticut General brief notes that the 1939 law revision made no significant change in the kinds of business that a foreign life company is permitted to do and added no express provision covering the kinds of business that may be done by a subsidiary of a foreign life company.

Pointing out that the drafters of the 1939 revision did not include any express language covering subsidiaries in sections 193(2) and 42(3) in limiting the kinds of business permissible for foreign life companies, though repeatedly making express provision for subsidiaries elsewhere in the new statute, the brief states:

"The defendant now seems to argue

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in its answering affidavits that the insurance law permitted foreign life insurance companies to hold controlling stock interests in fire and casualty insurance companies prior to 1940 but (contrary to the whole history and concept of the insurance law) thereafter forbade acquisition of such stock interests, except that a 'grandfather clause' permitted retention of existing stock interests.

"This is simply incorrect; the only 'grandfather clause' referred to in section 193(2) is section 42(6). This section states only that the licensee may be continued to be licensed to do the kinds of insurance business which it was authorized to do immediately prior to 1940.

### Aetna, Travelers Were Limited

"As previously stated, Aetna and Travelers were not licensed before or after 1940 to do the business of fire insurance or any type of casualty insurance except personal injury liability insurance. . . . There is no reference in section 42(6) to holding controlling stock interests.

"It is simply not credible that the draftsmen of the insurance law in 1939 intended to make a change in the existing law but made no change in the language of the new statute to spell out that intention. A contrary conclusion is inescapable: the 1939 revision intended no such change, and sections 193(2) and 42(3) do not prohibit a foreign life insurance company from acquiring or owning a controlling stock interest in a fire or casualty insurance company."

### Calls Application Inconsistent

The brief stresses the licensing of fire and casualty companies having life insurance subsidiaries as "an inconsistent application of section 193(2)."

"The term 'life insurance company' is defined by section 190 to mean any corporation having power to do either the business of life insurance or annuities," the brief points out. "If the superintendent attributes the business of a subsidiary to its parent (as he must in order to reach his present interpretation that the plaintiff under casualty subsidiary), then he must logically attribute the business of a life insurance subsidiary to its fire or casualty parent."

### Becomes A Life Insurer

"The fire or casualty insurance parent then becomes a corporation having power to do life insurance, and, therefore, is a 'life insurance company' as defined in section 190. Having thus become a life insurance company, the fire or casualty insurance parent itself then becomes subject to the limitations of section 193(2) and is prohibited from being licensed to do business in New York."

Connecticut General also objects to the department's use of Oct. 17, 1958 (or any other date) as the time after which acquisition of fire-casualty insurers by life insurers would be illegal.

### 'Illogical And Discriminatory' Result

"The entire course of action taken by the department since 1955," says the brief, "has had the effect of working an illogical and discriminatory result so far as regards the plaintiff, for which there would appear to be no statutory basis but which, on the contrary, would seem to be against the plain meaning and intent of the statute."

Connecticut General's second main point is that the department's interpretation of sections 193(2) and 42(3) makes the sections unconstitutional

denying section law.

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denying the company the equal protection of the laws and due process of law.

The company argues that the department has given Aetna Life and Travelers "a permanent competitive advantage over plaintiff (and all other foreign life insurance companies doing business in New York) by being placed in a privileged class to which admission is forever closed."

"This is clearly the kind of arbitrary discrimination against which the attorney general cautioned the department in his 1956 opinion where he underscored the illegality of discrimination caused not by the express terms of a statute but 'by its improper execution through duly constituted agents.'"

#### Objects To 'Privileged Class'

The effect of permitting fire-casualty companies to own life companies but not vice versa puts the former companies in the same privileged class with respect to foreign life companies (except Aetna Life and Travelers) in which the department's interpretation places Aetna and Travelers with respect to Connecticut General and all other foreign life companies, the brief comments.

The department's interpretation, according to the brief, constitutes a denial to Connecticut General of due process of law in that it regulates the activities of a foreign corporation outside New York state in a way that bears no reasonable relation to any need for the protection of the people of New York.

#### Department 'Admits' Inconsistency

"The department itself . . . in effect admits that its interpretation bears no relation to any need for protecting New York residents, since it is willing to allow Aetna and Travelers to continue to do business in New York notwithstanding their ownership of fire and casualty insurance subsidiaries," the brief continues.

There follows, in the brief, a tabulation showing that all three companies—Aetna Life, Travelers and Connecticut General, are about the same age, licensed in New York for about the same length of time and "all three are of unquestioned financial soundness and repute."

"There is no basis upon which the department can argue that it is reasonable to protect the people of New

York against one company but not the other two," the brief asserts. ". . . It is a violation of that due process clause for the insurance department thus to regulate the out-of-state affairs of a Connecticut company, where the regulation is purely arbitrary and wholly unrelated to the protection of the people of New York."

### Continental Casualty Liberalizes Its Air Travel Accident Cover

(CONTINUED FROM PAGE 1)

scheduled airline passengers.

Continental Casualty's latest action permits scheduled airline passengers to buy \$15,000 in insurance instead of \$12,500 for 50 cents and the maximum that has been \$62,500 is being increased to \$75,000 at no change in cost—\$2.50.

The changes will go into effect as soon as the company can make the necessary changes in its forms and complete filing its policies. Continental presently writes this insurance in approximately 300 airports throughout the country.

Mr. Tuchbreiter said the decision was not to be considered a spontaneous action nor a gesture connected with the series of recent accidents. "On the contrary," he said, "we have had this under consideration for several months. It is no more than coincidence that our announcement is being made at this time." He pointed out that the fatality rate on the airlines on a passenger-mile basis has followed a downward trend for 20 years.

"Insuring airline passengers has been a sound investment for this company in the past and we are confident it will continue to be that," he said.

### Producers Note Chink In FIA's Subscription Cover

(CONTINUED FROM PAGE 1)

say. Producers also point out that other pools, Oil Insurance Assn. for example, use a joint and several contract.

National Assn. of Insurance Brokers, and National Assn. of Insurance Agents have taken the matter up with FIA. Large individual producers have added their voice to the objections to this aspect of the subscription contract.

On the favorable side, producers are loud in their praise of the subscription feature of the FIA coverage. They say that its use is developing the advantages claimed for it—saving in expense, ease of handling and the like and favorable reaction from insured.

One sidelight on adoption of the subscription policy is that any reinsurers involved need to be shown on the policy by name which was not the case with the pool policy.

### Indianapolis Casualty Men Elect Davidson

Indianapolis Casualty Underwriters Assn. has elected Alfred Davidson, Indiana Lumberman's Mutual, president, succeeding Robert W. Wilson, American States. Other new officers are Harry Newby, Standard Accident, vice-president; Carl Hertting, Employers Mutual Casualty, secretary, and Everett Smartz, treasurer.

Insurance Club of Minneapolis will hear John Kundla, basketball coach of University of Minnesota and formerly coach of the Minneapolis Lakers pro team, at the Feb. 8 meeting.

## Court Fight Over Michigan Surety Status

(CONTINUED FROM PAGE 1)

that date has not yet been accepted by the court.

Commissioner Blackford, as the court-appointed custodian, indicated extreme skepticism that the company's troubles have been solved and that it could be freed from department control. He characterized one claim in the petition, to the effect that there had been recovery of \$404,997 in "premiums receivable over 90 days" from Agency Corp. of America as a mere bookkeeping maneuver known to the department before the custodianship order was issued.

The petition further set forth that overdue balances of \$129,709 had been reduced to "no less than \$60,000" and that assets unacceptable to examiners, in the form of Florida real estate carried at \$559,217, could be converted under an unexplained plan for sale or exchange into acceptable assets of \$517,000. It was promised in the petition that new capital of "not less than \$405,217" would be available immediately if the custodianship were voided.

#### Writes Series On Kroll

Meanwhile, statewide attention was being directed at the operations of Michigan Surety's former president, Mark Kroll, through a featured series in a Detroit newspaper. Mr. Kroll's speedy construction of a complex insurance empire was described and he was quoted as having purchased Michigan Surety without using any of his own money. He said he had knowledge of the strong asset position of the company when it was put up for sale, according to the Detroit writer, and was able to borrow funds from a Detroit bank in sufficient amount to outbid rivals for Michigan Surety stock. Mr. Kroll was quoted as having been able to pay the loan without difficulty from usable company resources without impairing its financial position. The Detroit writer said then Commissioner Joseph A. Navarre opposed acquisition of the company by the Kroll interests but was unable to block it. Later Mr. Navarre's Jackson law firm was retained by Michigan Surety, a connection he has vigorously defended as perfectly ethical.

The Ohio hearing in which the department seeks to be named receiver in Michigan for Michigan Surety opened with a charge by the assistant attorney general that \$602,000 in losses in theatrical ventures had been written off by Mark Kroll against his Wilmark agency of Cincinnati.

W. M. Shea, representing the de-

partment, said the state would prove the record shows \$419,000 was written off on a Broadway production and \$183,000 on Kroll's tent theatre enterprise, Cincinnati Summer Playhouse, both write-offs being made through subsidiary corporations which had nothing to do with the insurance business.

Mr. Kroll's attorney defended the write-offs as investments which Mr. Kroll had every right to make.

The department charged there was wholesale commingling of accounts and assets and that assets were traded back and forth among Mr. Kroll's various companies. In defense, Mr. Kroll charged Michigan Surety with breach of contract on nine occasions.

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